FINANCIAL TIMES

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Alan Clark foresees the end of the meat trade
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Islamists put Egypt on trial
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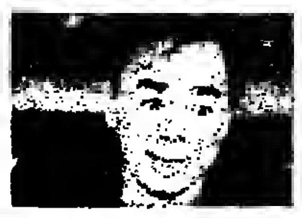

Another suitcase of money in another hall
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Former Mexican president goes on hunger strike

Mexico's former president Carlos Salinas de Gortari, declared himself on hunger strike in an attempt to absolve himself from accusations of bungling economic policy and obstructing a murder investigation. Page 20; Confusion over WTO post, Page 4

Luxottica in $1.1bn bid for US Shoe: Italian-based Luxottica, one of the world's leading spectacle frame manufacturers, announced a surprise $1.1bn bid for US Shoe, the troubled retailer operating 2,333 clothing outlets, spectacles stores and shoe shops. Page 5

Berlusconi withdraws budget support: Italy's rightwing political parties headed by Silvio Berlusconi, the former prime minister, dramatically reversed a conditional pledge to support the mini-budget planned by the government of his successor, Lamberto Dini. Page 20

Belgium and US sign air deal: Belgium dealt a blow to the EU's efforts to bloc countries signing open-skies air transport deals with the US by announcing it had initialled a deal with Washington. Page 3; Swissair to buy into Sabena, Page 5

Cable group reports $42m loss: Bell Cablemedia, one of the largest UK cable operators with more than 2m homes under franchise, reported a net loss for 1994 of £26.4m ($42m), compared with £5.5m in 1993. Page 6

Republicans welcome Democrat convert: The Republican party assuaged its defeat over the balanced budget amendment by welcoming into its ranks a Democratic convert, Senator Ben Nighthorse Campbell from Colorado. Page 4

EU reaches deal with Greece: The European Union provisionally reached a deal which lifts Greece's veto on a customs union with Turkey in return for a timetable for Cyprus joining the EU. Page 3

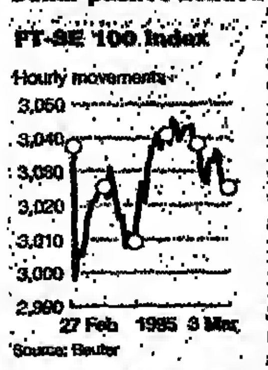
Kobe quake delays recovery: Japan's slow economic recovery has been further delayed but not derailed by the January earthquake, according to the Bank of Japan's latest quarterly business survey. Page 4

Ukraine to get $1.8bn from IMF: Ukraine signed a $1.8bn stand-by agreement with the International Monetary Fund intended to ease the country's economic crisis and mobilise western financial support. Page 3

Chinese parliament meets: China's National People's Congress, or parliament, convenes its annual session with shadows continuing to lengthen over the country's leadership after Mr Deng Xiaoping, China's ailing premier. Page 4

Iraqi army fires on Kurds: An Iraqi opposition group said government tanks sprayed machine-gun fire on the Kurdish-held town of Kifri in northern Iraq, a day after clashes with Kurdish fighters.

Dollar pushes London stocks lower



The US dollar's fall to new postwar lows against the yen was the chief factor behind a fall in the London stock market yesterday. The market rallied in the closing minutes in response to the Dow Industrial Average in New York, which recovered its early loss of 18 points, and the FT-SE 100 Share Index closed at 3,025.1 for a net loss on the day of 13.1 points and a fall on the week of 12.6. Currencies, Page 10; World stocks, Page 15; London stocks, Page 17; Lex, Page 20; Markets, Weekend Page XX

Dawson issues profits warning: Dawson International, the Edinburgh-based textiles group forced to close its fleece and jersey business in the US last year, warned second half profits would be "below current expectations". Page 6

Columbian drug baron arrested: Colombian security forces captured Rodriguez Orejuela, one of the leaders of the Cali cartel, which controls about 70 per cent of the cocaine smuggled into the US.

Harrods' chairman refused citizenship: Mohamed Fayed, chairman of Harrods, the London department store, and his brother Ali were refused British citizenship by tha Home Office and are considering legal action. Page 5

Summit debates workers' rights: Western nations and developing countries are at loggerheads over workers rights on the eve of the UN-sponsored social development summit in Copenhagen. Page 4

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London police probe Barings

Trader held in Germany as fraud inquiry begins

By John Gapper, Kevin Brown and William Lewis

The Serious Fraud Office, with City of London police, yesterday launched an inquiry into possible fraud at Barings, the merchant banking group, as Mr Nick Leeson, its Singapore trader, was detained in a German prison.

Mr Kenneth Clarke, Britain's chancellor, rejected calls for an independent inquiry into the Bank of England's supervision of Barings, urging critics to await the report of an investigation by the Board of Banking Supervision.

Mr Clarke said he had asked the board to investigate disclosures in yesterday's Financial Times that Barings' internal anditors warned seven months ago of a "significant" risk that Mr Leeson could override controls.

Aides said that Mr Clarke was determined to stand by his repeated assertions that the inquiry by the board is independent, despite the presence of several Bank of England nominees, including Mr Eddie George, the governor.

Documents obtained by the FT indicate that no limits on the number of contracts held for own-account trading were imposed on Baring Futures (Singapore), the unit which Mr Leeson managed, until at least last summer.

The Bank inquiry is likely to examine whether Barings directors breached part of tha 1987 Banking Act by inadvertently funding the hidden trading positions of Mr Leeson. It might have done so if it advanced more than 25 per cent of the £440m capital of its investment banking operations.

Mr Leeson is to be held in Germany pending formal applications from Singapore for his extradition. Mr Leeson wants to return to London, and some UK authorities believe his extradition to Britain would make inquiries simpler.

Talks continued between Ernst & Young, the administrators, and ING Group of the Netherlands, over the sale of Barings for a nominal £1. Baring Brothers' corporate finance arm plans to sell itself separately if negotiations collapse.

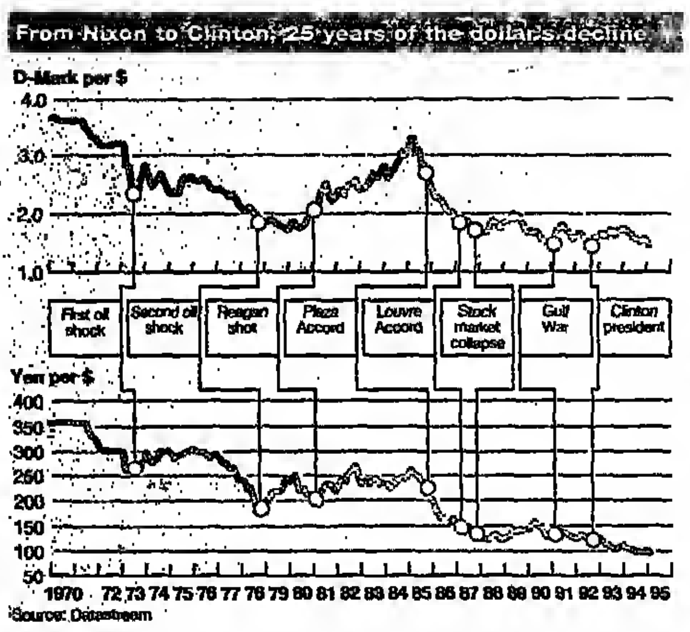
Barings executives also said that Smith Barney, the US investment bank, which was a late-comer to the bidding, had been in discussions with Baring Securities, the broking and marketmaking division of the group.

The Board of Banking Supervision has asked Mr Ian Watt, head of the special investigations unit

Continued on Page 20

Nick Leeson on his way to court in Frankfurt yesterday. He was jailed pending an extradition hearing PA

Dollar slumps to a new post-war low



By Philip Gawith and Peter Norman in London, and Lisa Brantsen in New York

Concerted dollar buying by the US, Japanese and 15 European central banks yesterday failed to halt the US currency's extended slide against the Japanese yen and D-Mark on world foreign exchange markets.

In spite of the first such bout of co-ordinated intervention since November, the dollar fell to a new post-second world war low against the yen and ended weaker in European trading against the D-Mark than before the effort began.

Underlining a flight to quality in financial markets, the Italian lira slumped to a record low of L1,180 against the D-Mark after Mr Silvio Berlusconi's Freedom Alliance said it would vote against the budget of Mr Lamberto Dini's government. In Madrid, the Spanish peseta, which bad been under pressure all week, ended close to its all-time lows.

Yesterday's central bank action followed a sudden fall in the dollar late on Thursday, prompting the US authorities to act. The baton passed to the Bank of Japan during the night and was taken up yesterday by 15 European central banks, led by the Bundesbank. But several rounds of intervention, which saw the Federal Reserve buying more dollars yesterday, failed to carry conviction in the markets.

Mr Paul Chertkow, head of global currency research at UBS in London, said: "The dollar is in crisis. The free fall has not been halted, it has been slowed."

Traders were unable to pinpoint any special reason for the decline. But the US currency has been under growing pressure because of suspicions that Japanese financial institutions are selling US assets. Financial markets also fear fallout from tha Mexican crisis will weaken the US economy and that German interest rates will move higher while US rates may have peaked.

By early yesterday afternoon in New York, the dollar was trading at Y93.90 and DM1.4305, compared with Y95.30 and DM1.4425 before the intervention.

One disturbing sign for markets was the spillover of the weak dollar into the bond markets. The 30-year Treasury bond was a point down in early trading, as investors reacted badly to the failed intervention.

Until yesterday the bond market had been fairly immune to the dollar's weakness. Some observers believe there is poten-

Continued on Page 20
United banks fail to do trick, Page 4; Lira plunges, Page 20

Huntsmen on the run after UK vote

By John Mason

It's been a simply dreadful week for Britain's upper classes. It began with the collapse of Barings. It ended yesterday with members of parliament giving their strongest endorsement yet to a ban on fox-hunting. Country house suppers look set to be gloomy affairs this weekend.

In the House of Commons, the Wild Mammals (Protection) Bill was passed by 253 votes to nil after a tactical boycott of the vote by opponents. Some 28 Conservatives joined opposition MPs to express their support.

The measure would prohibit foxes, stags and other mammals being killed or injured by the use of dogs or snares. Offenders would face a £5,000 fine for each animal harmed.

It was the first significant parliamentary victory for the anti-blood sports lobby. Previous attempts to pass legislation outlawing hunting have always fallen at the first hurdle.

Tha ritual of donning a red coat, downing a stiff drink and mounting a horse to chase foxes over the rural landscape stirs deep and divided sentiments in the British public. Huntsmen and women and their supporters say the chase is a part of traditional country life that should be preserved at all costs. Opponents argue hunting down a fox with a pack of hounds amounts to appalling cruelty.

The issue has always been emotive, but as recent demonstrations against the veal trade have shown, animal rights are looming larger in the British political agenda. Opposition to fox and stag hunting appears to be growing.

The Commons was unusually full for the debate on the private member's bill introduced by a Labour MP Mr Tony McFall. Traditional arguments concerning unwarranted cruelty versus centuries' old sport and effective pest control were deployed.

Mr McFall said the result was a clear demonstration of the public's deep-seated objection to hunting. "This is a landmark and historic vote. It signals the end of fox hunting and other cruel sports," be said.

The Royal Society for the

Continued on Page 20

Clinton refuses Gingrich call to put forward his own budget

By Jurek Martin in Washington

US president Bill Clinton yesterday rejected a demand by Congressman Newt Gingrich, the Republican Speaker, that he present within a month his own detailed plans to balance the federal budget.

Mr Clinton told his first formal press conference this year: "I'm going to wait until ... [the Republicans] do their constitutional duty and present a budget."

The Speaker announced earlier that he had written to the president urging him "to show some leadership" on the budget.

But Mr Clinton, emboldened by the defeat on Thursday of the Republican balanced budget amandment, also attacked Mr Gingrich's Contract with America manifesto. The Contract, he said, reflected "ontright bostility" to government, yet he found it "curious" that in some cases it was willing to give government a greater role in the lives of ordinary people. He also said it was heartless. "To me it appears it appears to target children to pay for tax cuts for upper-income Americans," he said.

"We believe that government has important work to do," Mr Clinton said, citing his own initiatives on law enforcement, college loans, increasing the minimum wage and improving the quality of education.

Mr Clinton also directly attacked Senator Robert Dole, the majority leader, who had said the defeat of the amendment would not have happened "if we had a real president".

"Senator Dole has been a part of Washington for 30 years, he has not always been in the minority – and look what they did with the deficit." Mr Clinton added: "We've got more peace, more prosperity and fewer problems than when I showed up."

He also played down the defection to the Republicans yesterday of Senator Ben Nighthorse Campbell, the Colorado Democrat, saying there were some "Colorado-specific" factors behind Mr Campbell's decision.

Mr Clinton answered criticisms that his Russian policies were too "Yeltsin-centred". It would be "a change of the rules" for the US to start dealing with anybody else, be said.

STOCK MARKET INDICES

FT-SE 100:	3,025.1	(-13.1)
Yield	4.40	
FT-SE Eurotrack 100	1283.06	(-13.73)
FT-SE-A All-Share	1,493.40	(-0.3%)
Nikkei	17039.62	(+76.44)
New York: lunchtime		
Dow Jones Ind Ave	3,977.18	(-2.77)
S & P Composite	494.49	(-0.64)

LONDON MONEY

3-mo Interbank	$6\frac{11}{16}$%	(Same)
Liffe long gilt fut:	Jun $101\frac{15}{16}$	(Jun $102\frac{3}{8}$)

US LUNCHTIME RATES

Federal Funds:	$5\frac{15}{16}$%
3-m Treas Bills: Yld	5.888%
Long Bond	$100\frac{3}{4}$
Yield	7.556%

NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$16.79	(15.66)

GOLD

New York Comex Apr	$377.8	(375.0)
London	$376.9	(375.4)

STERLING

New York lunchtime:		
$	1.62015	
London:		
$	1.6248	(1.5884)
DM	2.3281	(2.3207)
FFr	8.1948	(8.1513)
SFr	1.9696	(1.9697)
Y	153.076	(152.916)
£ Index	87.9	(87.1)

DOLLAR

New York lunchtime:		
DM	1.4335	
FFr	5.0425	
SFr	1.2132	
Y	94.165	
London:		
DM	1.4329	(1.4601)
FFr	5.0437	(5.1285)
SFr	1.2123	(1.2393)
Y	94.215	(96.21)
$ Index	92.4	(93.8)
Tokyo close Y 95.45		

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 No 32,616 Week No 9 LONDON · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · TOKYO

Leeson had no overall trade limit in summer

By John Gapper and Nicholas Denton

Barings had no gross position limits on proprietary trading operations in Baring Futures (Singapore), the unit run by Mr Nick Leeson, last summer – *relying instead on its group treasury* in London to set limits on cash funding. It is still unclear when, if ever, such limits were set.

The issue of funding provided by the London group treasury to Mr Leeson is likely to be central to the Bank of England inquiry into the Baring collapse. The bank needed to put up margin payments to cover falls in values of exchange-traded contracts. It is unclear whether Barings brought in position limits as Mr Leeson'e trading increased, but its asset and liability committee is thought to have asked for reductions in his trading positions in January.

According to the internal auditors' *report* on Baring Futures last August, the group was taking measures at that time to allow Mr Leeson easier access to funding for, among other things, margin payments on his proprietary trading operation.

Bankers have estimated that the London group treasury drew credit lines from banks of up to $850m (£535m) between the end of January and Barings' collapse. They believe a proportion of this was used to fund Mr Leeson's operation.

The report says Baring Futures "has no trades booked in its own name and consequently receives funds from clients or Baring Securities offices to fund margin deposits". But it was "often short of funding on a day-to-day basis".

The report recommended that it sought an overdraft facility from its main bank, Citibank. However, the management response from Mr Tony Hawes, group treasurer, said the treasury would be carrying out a review of funding requirements.

Mr Hawes added that "in the meantime, a $25m letter of credit with Banque Nationale de Paris has recently been arranged; this will significantly reduce the need to put up margins in the form of cash".

The auditor said there were "no gross limits set for arbitrage positions". He added: "The only constrain is that gronp treasury will eventually inform Baring Futures that they will cease funding requirements if they grow too large."

He said that "although hedged positions do not (by definition) expose the group to market risk, they can carry considerahle funding costs, and eventually must be unwound with an element of execution risk". He recommended that the risk committee consider introducing position limits. Mr Ian Hopkins, director of group treasury and risk, said in response that the committee was considering this.

Internal documents sbow that *margin payments had been made on* most of the £384m loss on futures contracts on the Nikkel 225 index concealed in e hidden eccount. Barings may have met some such payments through cash transfers, although Mr Leeson also appears to have sold "put" options in order to meet margin calls.

The audit said thet "timing differences, and a requirement to fund certain clients sucb as First Continental Trading, who have special clearing arrangements" meant thet the unit was "often short of funding on a day-to-day basis". It said "any deficit in Baring Futures main margin-paying account is made up by *group treasury* in London at very ehort notice". It then examined means of relieving this funding pressure through a variety of measures.

One was by reducing the proportion of the Baring Futures funding requirement deposited in cash from the 80 per cent to 90 per cent prevalent last summer to closer to the minimum 40 per cent cash by using more letters of credit.

■ ABN AMRO

Fallback deal ready if ING talks fail

By Nicholas Denton

Baring Brothers' corporate finance arm has a draft agreement to eell itself to ABN Amro, the Netherlands' largest bank, if the deal to dispose of the whole group to one buyer fails through.

ING Group, another Dutch bank, has entered *into* exclusive negotiations to buy Barings – and take on all its liabilities – for the nominal sum of £1. ING is being advised by Robert Fleming, the UK merchant bank. The exclusivity is expected to last until tomorrow.

Bnt if ING fails to make a firm offer, the corporate finance department intends to reactivate the deal it arranged earlier this week with ABN Amro. Corporate financiers had preferred a deal with ABN Amro – but ING persuaded the administrators that its offer for the whole group was worth considering first.

Any buyer will have to guarantee to meet bonuses for last year, which have already been announced, if they are not to lose valuabla employees.

The latest development is another twist in the series of *negotiations on* the *fate of the* remnants of Barings. They have included talks with Barclays, National Westminster Bank, HSBC Holdings (owner of Midland Bank), Merrill Lynch, and a host of other international financial institutions.

New potential buyers are still entering the fray. Smith Barney, the US brokerage, has been in talks with Baring Securities, the broking and marketmaking division.

Core Pacific, the large Taiwanese hrokerage, is also understood to have made contact with Baring Securities. Six gronps remain interested, according to Baring Securities.

Waiting in the wings for Baring Asset Management, which manages £27bn of client funds, is Merrill Lynch, the US investment bank. But the purchase of the fund management arm alone would be dogged by the difficulties in disentangling its deposits with Baring Brothers, the banking arm.

Meanwhile, Standard & *Poors*, the credit rating agency, put ING on negative credit watch. This is a warning that ratings on ING's senior debt may fall from its current level of AA-minns.

S&P said its decision followed the announcement that ING had entered into negotiations with the administrators of Barings to acquire the three parts of the group. *S&P said* it was uncertain of the extent and nature of the liabilities that ING would assume, the means by which the acquisition would be financed and the future prospects of the Barings businesses.

■ BANK OF ENGLAND – By John Gapper

Tough questions for supervisors

The role of the Bank of England in supervising Barings, the collapsed UK merchant banking group, yesterday etarted to come under serious scrutiny. In spite of general plaudits for the way in which *it handled the attempt* to rescue Barings, there are now questions about its supervision of the bank.

Supervisors from the Bank were apparently not shown the internal audit report warning of the possibility that Mr Nick Leeson could over-ride controls in the Baring Futures unit. This renews longstanding *questions* over both its style of supervision, and the rigour of its inspections.

The "matrix management" system at Barings, under which Mr Leeson was partly responsible to regional managers and partly to functional managers in London, is mirrored in the complex supervisory arrangements of the bank. These bring in both banking and securities supervisors around the world.

At the head of this chain of supervisors is the Bank, which has dual responsibilities. It was the chief eupervisor for Baring Brothers, the merchant banking arm of the group. It was also the consolidated supervisor with overall responsibility for the Barings group.

Other supervisors and regulators included the Securities and Futures Authority, the *self-regulatory organisation for* the securities industry. This is responsible for the trading practices of Baring Securities, the broking arm, in the UK, and for setting its capital requirements.

However, the SFA was not *directly responsible for* Baring Futures (Singapore), the unit managed by Mr Leeson. This was supervised by the Simex, acting as an agent for the Singapore Monetary Authority. It would have reported any concerns about the unit'e practices to the Bank as consolidated supervisor.

The Bank would have had a number of *means of identifying* that something was wrong at Barings:

- Auditors reports

Under the 1987 Banking Act, Barings' group auditors, Coopers & Lybrand, have to produce an annual report on management systems and controls. The scope of this is set by the Bank in a letter which requests information on how the bank limits activities such as fraud.

This report would cover high level management and controls. This means it would be unlikely to have covered the controls of Barings Futures directly. However, if internal auditors passed concerns to Coopers & Lybrand, these would probably form part of such a report to the Bank.

The Bank introduced a requirement on auditors to *report directly to them about* concerns such as inadequate management controls two years ago. This followed the Bingham inquiry into the collapse of the Bank of Credit and Commerce International as a result of fraud in 1991.

- Large exposures

The act specifies that a bank should not hava a credit exposure of more than 25 per cent of capital without an exemption. This applies not only to loans, hut in most circumstances to intra-company funding such as margin payments advanced to a company within a group by its central treasury.

The capital of Barings' investment banking operations was £440m, so that any advance of more than £110m could have been in breach of the act. The Bank should have known of any such advance because Barings executives would have been required to report it to its banking supervisors.

This issue is likely to be examined closely. If advances that breached limits were made without supervisors knowing, it will not only reflect badly on Baring executives. There will also be questions as to how Bank supervisors did not notice such an enormous increase in its credit exposure.

They would normally do so through the monthly liquidity reports supplied by the bank's treasury to supervisors. These set out liquidity, and assets *and liabilities on its balance* sheet. The report sbould enable the Bank'a supervisors to prevent any excessively large exposures.

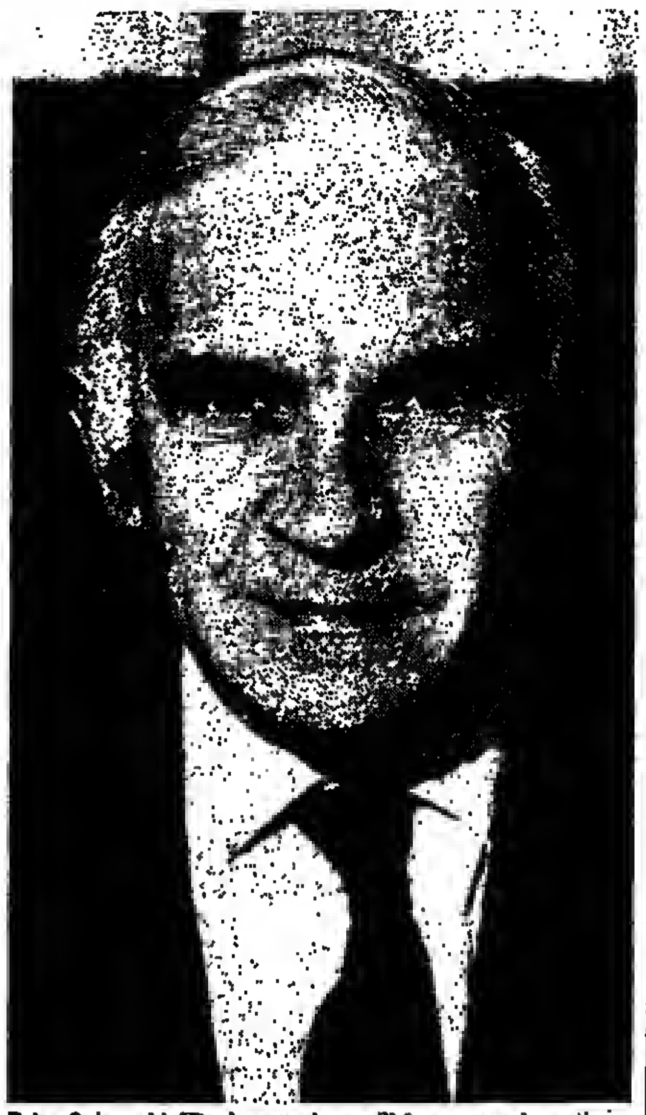
- Money markets

Even if the Bank had not been formally told that borrowing to fund Mr Leeson'a positions was rising fast, it might have picked up signals from London money markets. At least one UK bank was among those noticing Barings drawing on credit facilities from the end of January.

It might not have done so given that Barings was seen as a liquid bank which could borrow *through* money *markets* without raising a stir. However, if the Bank failed to notice such a rise in spite of its role in the money markets, it will raise questions about its ability to detect trouble.

The Bank'e general style of supervision is also likely to face further probing. It has already been forced to toughen its style *following* the Bingham inquiry, appointing a special investigations unit. Mr Ian Watt – the head of the unit – has been appointed to lead the inquiry into Barings by the Board of Banking Supervision.

Mr Brian Quinn – the Bank's executive director in charge of financial stability, and its chief supervisor – has had time to recover his poise after the BCCI storm. But it has begun to look as if Mr Quinn and the supervisors will face renewed *scrutiny in the Barings' case.*



Brian Quinn, chief Bank supervisor, will face renewed scrutiny

■ IN BRIEF

Fed chief seeks fast settlement of trades

Mr Alan Greenspan, chairman of the US Federal Reserve, said financial *markets* must speed up settlement of large transactions in order to improve liquidity and avoid systemic risk from cases like the Barings crisis.

"If the liquidity of underlying markets is preserved, risk management failures at individual institutions are unlikely to give rise to systemic problems", *Mr Greenspan said* in prepared remarks to a conference in Coral Gables, Florida.

"For example, the recent failure of Barings ... has not created systemic prohleme because it has not significantly impaired the liquidity of the underlying markets for Japanese stocks and honds", Mr Greenspan said. The key to *preserving market liquidity* in times of crisis was to reform and speed up clearance and settlement systems around the world, he added. *AFX*

Few withdrawals from unit trusts

Barings unit trusts experi*enced negligible withdrawals* yesterday. The funds were suspended on Monday morning and re-opened for dealing on Thursday afternoon. Because of the uncertain future of the company there were fears that investors might decide to withdraw their cash, but by mid-afternoon yesterday only around 0.5 per cent of the funds had been withdrawn.

Barings' Dublin-based offshore funds, which use Barings in Guernsey as custodian, were suspended on Monday because they have cash deposited with Barings which is at risk and cannot be valued.

Shares in two Barings investment companies – the Emerging Europe Trust and the Baring Chrysalis Fund, which also use Barings in Guernsey as custodian – have been suspended pending clarification of Baring Guernsey's position. *Barings insists, none of* the funds' assets is at risk but has not explained the suspension. A spokesman said: "Arrangements will soon be in place to transfer the assets of the funds to new custodians."

Roger Taylor

Taiwan bans sales

Taiwan's Security and Exchange Commission banned sales of Barings-issued overseas mutual funds in a effort to protect local investors.

The SEC is also banning Barings' investment fund unit from promoting mutual funds. Taiwanese investors so far have purchased some $80m (£50m) in overseas mutual funds from Barings. The SEC did not suspend Baring International Fund Manager (Ireland), which has invested some $163m in the local bourse, from continuing stock investment activities. *AFX*

Malaysian futures

Malaysia said it had no plans to over-regulate its emerging financial futures markets despite concern over the collapse of Barings. Mr Anwar Ibrahim, finance minister, said: "Our policing of financial derivatives are stringent. We bave tougb guidelines in place." The Kuala Lumpur Futures Market is to begin with *trading in interest rate* futures and later expand into currency futures. The Kuala Lumpur Options and Financial Futures Exchange is to start with stock index options. *AFX*

Mr James Lawrie

It has been drawn to our attention that Mr Nick Leeson did not report directly to Mr James Lawrie, senior corporate financier in Barings' Singapore office, as suggested in the FT on Wednesday.

■ NICK LEESON – By Katharine Campbell and William Lewis

Trader must be held in jail, says German court

The Frankfurt High Court *yesterday ruled* that Mr Nick Leeson, whose trading activities are alleged to have forced Barings into administration, be detained in a local jail pending formal application from Singapore for his extradition.

Mr Eberhard Kempf, Mr Leeson's legal representative, said that his client planned to fight any extradition application. He said Mr Leeson wanted to return to London and did not want to be subjected to the Singapore judicial proceedings.

Mr Kempf also said that he "auspected" that Mr Leeson possessed "information that could harm others at Barings".

The Singapore anthorities now have 40 days to make a formal application. Successful completion of Mr Leeson's extradition to Singapore could take up to four months.

Following the ruling Mr Leeson was transferred to prison in Höchst, situated on the outskirts of Frankfurt. Mr Kempf said the prison was for "young detainees", adding that the living conditions were "better than the worst" of the alternatives. A formal decision to appeal against the court's decision will be made on Monday after Mr Kempf has received a written version of the court's opinion.

The Serious Fraud Office and the City of London police, which announced yesterday that they had started investigating the Barings collapse, said they *had* "no *plans* at *present*" to seek Mr Leeson's extradition to the UK.

The ruling in Frankfurt followed the extra information provided to the German courts by the Singapore authorities relating to Mr Leeson's involvement in the collapse of Barings. The Singapore authorities have charged Mr Leeson with "falsifying documents to prepare fraud, and breach of trust", according to the chief prosecutor in Frankfurt.

Extra documentation was brought from Singapore to Frankfurt yesterday by Mr Roy Neighbour, deputy director of Singapore's Commercial Affairs Department, and two of his colleagues.

Mr Hans-Hermann Eckert, the prosector who applied to the court for extradition detention, said afterwards that the judge had ruled that the information produced by the Singapore authorities was sufficient to warrant Mr Leeson's further detention.

Mr Kempf said: "His [Mr Leeson's] feelings aren't so good. It is a serious situation. He is a man with problems to cope with but he is determined to come through it."

Mr Kempf said that Mr Leeson denied forging documents. The lawyer also said Mr Leeson "would certainly prefer to go to London than to Singapore". His client had been "nervous" before the hearing, but looked *composed and* serious when the decision was handed down.

Mr Kempf said that be had prepared Mr Leeson for the possibility that he would be detained further, but that the trader appeared not to have expected "all this to happen" when he flew into Frankfurt.

Mr Kempf is acting in Frankfurt on behalf of Kingsley Napley, a London-based law firm which specialises in dealing with white-collar crime cases. Mr Leeson pboned Mr John Clitheroe, senior partner at the firm, from Frankfurt Airport at 11am on Thursday morning following a recommendation by a British consular official. Mr Clitheroe then arranged for Mr Kempf to act for Mr Leeson in Frankfurt.

A partner from Kingsley Napley is set to fly to Frankfurt to meet with Mr Leeson on Monday. Among Kingsley Napley's other client is Mr Ian Maxwell, son of the late Robert Maxwell.

It has also emerged that earlier this week Mr Leeson twice phoned Mr Max Clifford, a public relations adviser, to ask for advice. "He is very very keen to come back bere rather than go to Singapore," a friend said.

Mr Leeson's wife *Lisa* is thought to be back in the UK, baving been released from detention hy the German police on Thursday.

■ LONDON MONEY MARKET – By Peter Marsh and Alison Smith

Depositors pay more heed to credit ratings

The Bank of England has *stepped* into the London money market this week to lend undisclosed sums of cash to at least one small to medium-sized UK bank.

The lending operation has been conducted discreetly, outside the Bank's normal money market procedures whicb involve lending to the banking system via discount bouses.

The Bank's action has resulted from nervousness in the money market triggered by the Barings failure.

The London market for unsecured casb *deposits* involves large transactions of up to about £50bn a day being transferred between more than 100 organisations including banks, building societies and industrial companies.

"After these crises there is always some flight to quality. We're picking up extra deposits at the moment," one clear*ing bank said.*

"There were a few signs of a flight to quality on Monday and Tuesday, though it had faded by the second half of the week," another clearer said. "Bot we have had counterparties we haven't seen for years returning to us," he added. Others emphasised the relative calm with which the *market had reacted.*

"The shock was obvious at the beginning of the week – there was initially a kneejerk reaction to the Barings collapse. But in the cold light of day, *unless Mr Leeson has a* twin brother working in the Tokyo office of another merchant bank, it's not going to happen again next week," commented a treasurer at one large financial institution.

Another banker suggested that this calm was partly because of low levels of activity. "Banks have tried to avoid being in the market," he said. "They have just sat back."

Several bankers take the view that the Barings collapse is likely to mean greater power to the credit rating agencies.

The rating agencies are already taken into account, but for many organisations they are just one element in the decision where to place money. Others – such as the relationship and the view of the management – may be more important. "If you do your own evaluation work, you don't need to go hy the credit rating," one banker said.

But Ahbey National, the home loans and banking group, said it had not had any exposure to Barings "because as a general rule we don't deposit with unrated institutions". Baring had no credit ratings from Moody's and Standard and Poor, the US-based agencies, although it did from London-based IBCA.

Mr Peter Morley of Integer Treasury Management Services said be advises clients – mainly local authorities – *based on credit rating. One of* hie teets for acceptahle counterparty risk is a bank's "legal" rating by IBCA. This addresses the question of what support from the state, or a parent group, a bank could expect if it got into difficulty. This was the condition Barings had not met, and on that basis, he had not advised clients to deposit money there.

But if the UK markets appeared to have calmed down, nervousnese about the prospects of small to medium-sized merchant *banks has spread* elsewhere in Europe.

At one smaller European bank, an executive said he felt it could face difficulties in the coming months in attracting deposits. "There is a problem in the sbort term and a problem in the long term," he said.

A big continental European bank said it had stopped lend*ing* to some *other smaller* banks in Europe, although not in the UK. A senior executive said: "For the moment we are telling our traders not to lend money to certain smaller banks. A lot of people are going through a lot of soul-searching looking through their own management systems. But we realise it's very important not to *panic* because if yon stop dealing with a bank just because of rumours then you will make a bad situation worse."

■ POLITICS – By Kevin Brown

Clarke asks for time and rejects calls for independent inquiry

Mr Kenneth Clarke, Britain's chancellor of the exchequer, yesterday rejected growing demands for an independent inquiry into the Bank of England's failure to prevent the collapse of Barings.

Amid rising opposition anger, Mr Clarke urged critics to wait for the results of an investigation being carried out by the Board of Banking Supervision, chaired by Mr Eddie George, governor of the Bank of England.

He said the board would look at disclosures in yesterday's Financial Times that an internal audit warned in August that there was "a significant general risk" that Mr Nick Leeson, the trader blamed for the bank'a collapse, could override controls

"That is exactly what I expect the Board of Banking Supervision to investigate and no doubt they are beginning to do so," Mr Clarke said on BBC radio.

"Give [the board] more than four days to let us know what the real facts are, and to give its expert opinion on what went wrong, if anything did, at Barings and what went wrong, if anything did, with the Bank of England's supervision.

"You can't within a few days have hits and pieces of information breathlessly reported by newspapers and radio and think that we are ready yet to draw serious conclusions," he said.

Both main opposition parties yesterday said there was a clear case for an inquiry by an independent organisation able to consider the role of the Bank of England, as well as the sequence of events at Barings.

Mr Alistair Darling, Labour's City spokesman, said in a letter to Mr Clarke that the disclosure of the audit report suggested that Barings knew there might be a problem in the activities of its Singapore subsidiary. Mr Darling said the disclosure also cast doubt on claims made after the collapse by Mr Peter Baring, the bank's chairman, that there may have been a conspiracy designed to hring down the bank.

"The question thet now arises is: did the Bank of England know of the auditors' report, and if not, why not?" Mr Darling asked.

He added thet the Bank of England should have set in place mechanisms to ensure thet all banks had adeqoate internal controle which operated properly.

"It seems to us to be all the more important now to establish an independent inquiry to ask what the Bank of England knew, and what it should have known," he said.

"It is not just a matter of what happened at Barings, but also what systems now exist in relation to the rest of the banking system."

Mr Malcolm Bruce, Liberal Democrat Treasury spokesman, called for Mr Baring and other top executives of the bank to be hrought before the Commons Treasury and civil service committee to give evidence about the collapse.

"As more new evidence comes to light it gets ever clearer that there was e catastrophic breakdown of internal controls at Barings, and a failure by the regulators to observe the warning signs," he said.

Mr Dale Campbell-Savours, Labour MP for Workington, said he had put down a written Commons questions to Mr John Major asking when the Bank of England was made aware of the Barings internal audit report.

Mr Clarke defended his Commons statement on Monday, when he said that the collapse centred on one "rogue" trader. "I deliberately did not give any real detail about the facts of the case because I knew perfectly well the facts would change as more and more information came along," he said.

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Deal includes EU timetable for Cyprus

Greece lifts Turkey customs union veto

By Lionel Barber in Brussels

The European Union reached provisional agreement yesterday on a deal which lifts Greece's veto on a customs union with Turkey, *in return* for a timetable for Cyprus joining the EU, probably around the turn of the century.

The agreement is expected to be signed on Monday at a meeting of EU foreign ministers in Brussels. It marks a big diplomatic success for France, which brokered the compromise.

A customs union with Turkey would open up trade in a wide range of goods and services and unblock Ecu1bn (£787m) of EU aid to the Turkish government, which is grappling with political and economic instability.

On the Cyprus issue, there is hope in Brussels that the prospect of EU membership will *help to break the deadlock* which has existed since the Turkish army invaded the island in 1974 in response to a Greek Cypriot coup backed by Athens.

Since then, the island has been divided between an officially recognised government of Cyprus, controlled by the Greek Cypriots, and a section in the north controlled by Mr Rauf Denktash, the Turkish Cypriot leader. The assumption, until recently, was that EU membership depended on a political settlement in the island.

In recent months, however, France, the UK and the US have shifted toward the view that *the prospect of EU membership* and its economic benefits could act as a carrot for the Turkish Cypriot community to break with Mr Denktash and a catalyst for a political settlement.

But all this assumed that the EU could persuade Greece to lift its 14-year veto on the customs union with Turkey and the financial *aid package*, a development which appeared in doubt until the last minute.

Under a hard-fought compromise, Greece has won a promise that the EU will open negotiations on membership with the government of Cyprus six months after the conclusion of the 1996 inter-governmental conference to review the Maastricht treaty.

Second, the EU will offer closer political and economic ties with Cyprus (as well as Malta) along the lines of the dialogue taking place with the six central and eastern European countries which have EU associate membership: Poland, the Czech Republic, Hungary, Slovakia, Bulgaria and Romania.

In return, Greece has dropped its demand for Ecu400m compensation for opening its textile market to Turkish producers under the customs union. Instead, the European Commission will study the matter.

Tha most delicate issue concerned the financial protocols, and the need to protect the *Athens government against* nationalist opposition at home wbicb bas argued that Greece has surrendered its veto without adequate compensation.

Senior Brussels officials said it was unlikely that specific sums would be mantioned, though a "declaration" appended to the customs unioo would endorse the principle of a substantial package of *around Ecu1bn*.

Compromise reached on government in Warsaw

By Christopher Bobinski in Warsaw

Poland's two-month political crisis *looked set to end yesterday as the country's* new prima minister, Mr Jozef Oleksy, a *former communist*, reached agreement with President Lech Walesa on the composition of a new centre-left coalition cabinet.

Soon after meeting the president yesterday, Mr Oleksy unveiled his proposed cabinet to parliament, which is expected *to approve the new line-up* today. The cabinet will then have to be formally sworn in by the presideot.

The reshuffle sees the replacement of Mr Waldemar Pawlak, the head of the Peasant party (PSL), as prime minister and brings eight new ministers into the 20-strong cabinet.

The change, which follows Mr Walesa's threat last month to dissolve parliament if Mr Pawlak was not removed, *marks a shift in the balance of power* inside the coalition to the ex-communist *Left Democratic Alliance (SLD)*. The coalition partoers have ruled Poland since they won parliamentary elections in the autumn of 1993.

In the agreement with Mr Walesa, Mr Oleksy dropped the coalitioo's long-standing opposition to Mr Zbigniew Okonski, the president's candidate for defence minister, and accepted Mr Walesa's suggestion that Mr Wladyslaw Bartoszewski, the Polish ambassador to *Austria, be made foreign minister*.

Walesa: Pawlak must go

These are big concessions by the *coalition, which had maintained that* the president only had the right to be "consulted" on the appointment of the ministers of defence, foreign and internal affairs.

Mr Oleksy yesterday appealed to Mr Walesa to work constructively with the new government and to approve this year's budget, which he has yet to formally sign. It was Mr Walesa's failure to approve the budget which triggered *the current crisis and is causing* liquidity problams at the treasury.

Mr Oleksy told parliament yesterday tbat his government would maintain budgetary discipline and that Mr Grzegorz Kolodko, the deputy premier and finance minister, would stay in his post.

Mr Oleksy yesterday also affirmed his government's commitment to Poland's drive to join the European Union and Nato. He said the country's "democratic *and free-market reforms were irreversible*" and privatisation of state-owned companies would be speeded.

Ukraine signs IMF stand-by accord

By Matthew Kaminski

Ukraine yesterday signed a $1.8bn (£1.13bn) stand-by agreement with the International Monetary Fund intended to ease the country's economic crisis and mobilise western financial support.

The deal signals a continuing commitment by the *Ukrainian government* to overhaul a struggling economy that shrank by more than 10 per cent last year.

The package, under negotiation for almost five months, holds Ukraine to tight fiscal and monetary policies and *further price liberalisation. Ukraine is* also to soften its restrictive export policy by limiting qnota restrictions to grain, easing a rigid registration system and scrapping plans to prevent barter trade.

The policies required for the stand-by provoked wide division within the government, but President Leonid Kuchma again appears to have overcome the country's anti-reform groups. The final political touch came on Wednesday with the resignation of Mr Vitaly Masol, conservative prime minister.

The new agreement, with a first tranche due to be disbursed on April 1 after expected IMF board approval later this month, would help plug Ukraina's chronic balance of payments deficit, which is approaching $5.5bn this year.

Mr Michel Camdessus, IMF executive director, is scheduled to visit Kiev on *March 9 to discuss the country's* economic programme. "It is a comprehensive, strong and courageous programme," Mr Camdessus said in Wash*ington yesterday*. "If implemented rigorously, it will constitute a decisive break with the past that Ukraine sorely needs and that the international community will surely welcome."

The Ukrainian cabinet this week passed a budget with a planned deficit *of 6.4 per cent of gross domestic product*. The IMF, using different statistical measures, considers the deficit to be 3.0-3.5 per cent of GDP, above the fund's guidelines for checking inflation by the year's end.

The parliament will consider the budget *within the next 10 days*. Although dominated by communists, the parliament so far has failed to side-track the macro-economic reforms backed by the president.

The Ministry of Foreign Economic Relations, headed by Mr Serhei Osyka, had opposed the export liberalisation but a new policy was agreed last weekend, *officials said*.

While Russia enjoys a positiva trade balance *and will use IMF aid to check* its budget deficit, Ukraine needs outside aid to pay for imports, mostly Russian and Turkmen energy supplies, and not run up arrears, thus stoking inflation.

Mr Victor Pynzanyk, first deputy prime minister for economic and leader of the reformist forces, has urged western countries to follow through on the promise made at last summer's G7 summit *for $4bn in western aid*. "Without external financing support, we become firemen, *not reformers*," he said.

Belgium snubs EU over US flight agreement

By Caroline Southey in Brussels

Belgium yesterday dealt a blow to the EU Commission's efforts to block six countries from signing bilateral open-skies air transport deals with the US, by announcing it had initialled a deal with Washington this week.

Mr Neil Kinnock, the new *EU transport commissioner*, wrote to Belgium, Denmark, Luxembourg, Finland, Austria and Sweden on Monday, instructing them not to negotiate, initial or sign bilateral deals with the US. He threatened *court action against any* country if it did and set a deadline of March 10 for the countries to inform the Commission of their responses.

Mr Kinnock also served notice that he would be seeking a mandate from member states to negotiate a multilateral open-skies *deal with the* US.

But a Belgian official said the Commission had "no ground to stand on". He said Belgium had entered the negotiations in good faith and intended to go through with the deal. Belgium had won much better *terms* than the more limited bilateral deal signed with the US in 1993.

It also appeared likely that Luxembourg and Austria would soon initial deals with the US.

A Commission official denied that Mr Kinnock's initiative had been severely undermined. "We have *started* a *procedure* and we will go through with it. The Belgians have not told us formally that this is their position. We will wait until March 10 to hear what all the responses are."

The Commission reiterated its primary concern that *smaller EU countries* would be targeted. It argued that the US would gain disproportionate advantages by gaining access to the EU's liberalised markets.

The Belgian official said the deal gave Belgium and the US *reciprocal* rights. "The rights for both countries are exactly the same," he said.

He said airlines would have free access but neither side would have cabotage rights, which would hava allowed them to carry passengers on domestic routes in the other's *country*.

The accord took account of the US's desire to reach agreement with all six EU states before signing any deals. "If the critical mass is not reached, the text does not come into effect," the official said.

But, he added, there was no legal impediment to the two sides signing the bilateral accord. "Wa can sign it when both parties indicate they are ready and when the opportunity arises," he said.

Fugitive's return to Spain raises awkward questions

By David White in Madrid

What initially appeared to be something of a triumph – the return of Mr Luis Roldán, ex-chief of Spain's Civil Guard police force, from southeast Asia to face criminal charges – has turned into a potentially *serious embarrassment* for the Socialist government.

A *state of utter confusion* has taken over after four days of conflicting reports and heated argument over the circumstances in which he was returned.

The row, given massive media covarage, must be enough to make the government wonder if was worth*while* capturing him after all.

News that Mr Roldán, who is accused of pocketing government funds and taking commissions on contracts, might *have to* answer only limited charges was followed by further versions of events which, according to some legal opinions, could mean his getting off *altogether*.

The fugitive was flown to Spain on Tuesday morning. Mr Juan Alberto Belloch, justice and interior minister, *described* at a press conference how Laotian police handed the prisoner over to Spanish *police* in the transit area of Bangkok airport. What he omitted to explain were the conditions under which this occurred.

The next day, *the opposition newspaper El Mundo published* copies of two faxed letters, ostensibly *from the Laotian* justice minister to Mr Belloch, accepting Mr Roldán's extradition for bribery and misappropriation of public money, but not for the other charges of tax evasion, influence-peddling, fraud and falsification of public documents, arguing that several of the charges did not exist in Laos's penal code.

On Thursday, two Justice Ministry officials in Vientiane said the letters were fakes. Not only that but, yesterday, a Laotian Foreign Ministry official said he was "*completely sure*" nobody called Luis Roldán had ever legally crossed the border and Loatian police had not accompanied any fugitiva to Bangkok.

The documents were meanwhile on their way by diplomatic bag to the Spanish embassy in Bangkok in an *attempt to establish* what happened.

Have the Loatians taken offence and backtracked? If they did not send the letters, *who did?* As *long* as the case remains obscure, the government faces suspicions of having connived with Mr Roldán, seeking his discretion in return *for* a short sentence. Mr Belloch has repeatedly denied making any deal.

The government said Mr Belloch had prime minister Felipe González's full support.

NEWS: INTERNATIONAL

Summit split over workers' rights document

By Robert Taylor, Employment Editor, in Copenhagen

Western nations and many developing countries are at loggerheads over workers' rights on the eve of the United Nations-sponsored social development summit which starts in Copenhagen on Monday.

The European Union, backed by the US and other industrialised countries, wants a firm and explicit commitment to protect workers' rights in a draft declaration. This would include a ban on child and forced labour, the acceptance of freedom of association and the right to organise and bargain collectively, and affirmation of the "principle of non-discrimination".

But many developing countries, notably India, China, Malaysia and Indonesia prefer an alternative wording that would merely commit the draft resolution to respect "the relevant conventions of the International Labour Organisation" without spelling them out.

In particular, they dislike any reference in the resolution to the abolition of child labour, arguing that this western proposal is a cover for trade protection measures against their products.

Efforts to settle differences inside the conference's preparatory committee have failed to produce any compromise. Nor is there yet any deal over references in the draft declaration to the debt problems of developing countries.

Although the industrialised nations are willing to negotiate ways of reducing debt burdens, they are unwilling to accept any debt cancellation or agree to discussing "wider means to give a sustainable solution to the growing difficulties of servicing multilateral debt".

However, agreement has been reached that poor countries should be given a reduction in their debt "sufficient to help them to exit from the rescheduling process and to enable them to resume growth and development".

So far, the industrialised countries have also been unwilling to accept any provision of additional financial resources to help implement the programme of action that will follow the Copenhagen conference.

The summit draft declaration calls for "the eradication of poverty", "full employment", "an end to social exclusion" and "more equitable income distribution".

Michael Holman adds: Leading British charities yesterday expressed scepticism about the benefit of the summit.

The London-based World Development Movement accused world leaders of failing to address two vital issues: "the impact of world trade on the lives of the poor, and the power of transnational corporations on world trade."

Another UK charity, Oxfam, expressed concern that governments attending the summit "will seek to water down" commitments to alleviate poverty and expand employment. It also called for the phasing out of "structural overproduction" in the European Union's agricultural sector "which leads to dumping of surpluses on world markets".

In a strong attack on the World Bank, Christian Aid urged the summit to review structural adjustment programmes, and called for increased spending on education and health, credit facilities for the poor, and full debt cancellation for the poorest countries.

White House disarray over WTO chief

By Nancy Dunne in Washington, Frances Williams in Geneva and Guy de Jonquières in London

Clinton administration officials were yesterday trying to end the deepening disarray over the US position on who is to lead the World Trade Organisation.

On Thursday, Ms Charlene Barshefsky, the US deputy trade representative, called for the contest to be reopened following the withdrawal of Mr Carlos Salinas de Gortari, the former Mexican president and Washington's favourite candidate, after his brother was charged with murder. She said neither Mr Renato Ruggiero, the EU's candidate, nor Mr Kim Chul-su of South Korea was acceptable.

However, the US compounded confusion over its intentions yesterday after a second day of talks at the White House when it declined at a meeting of WTO diplomats in Geneva to block a further round of consultations next week on the two remaining contenders.

Delegates said Mr Booth Gardner, US WTO ambassador, remained silent and did not oppose the conclusions of the chairman, Ambassador K Kesavapany of Singapore, that the final consensus choice should be between Mr Ruggiero and Mr Kim.

EU officials, meanwhile, said that Sir Leon Brittan, the European trade commissioner, had challenged Mr Ron Brown, the US commerce secretary, at a meeting last weekend to say whether the US would veto the appointment of Mr Ruggiero.

The officials said Mr Brown had declined to do so and had assured Sir Leon that the US did not want to reopen the leadership contest.

But a Commerce Department spokesman denied that Mr Brown had given any commitment not to veto the EU candidate.

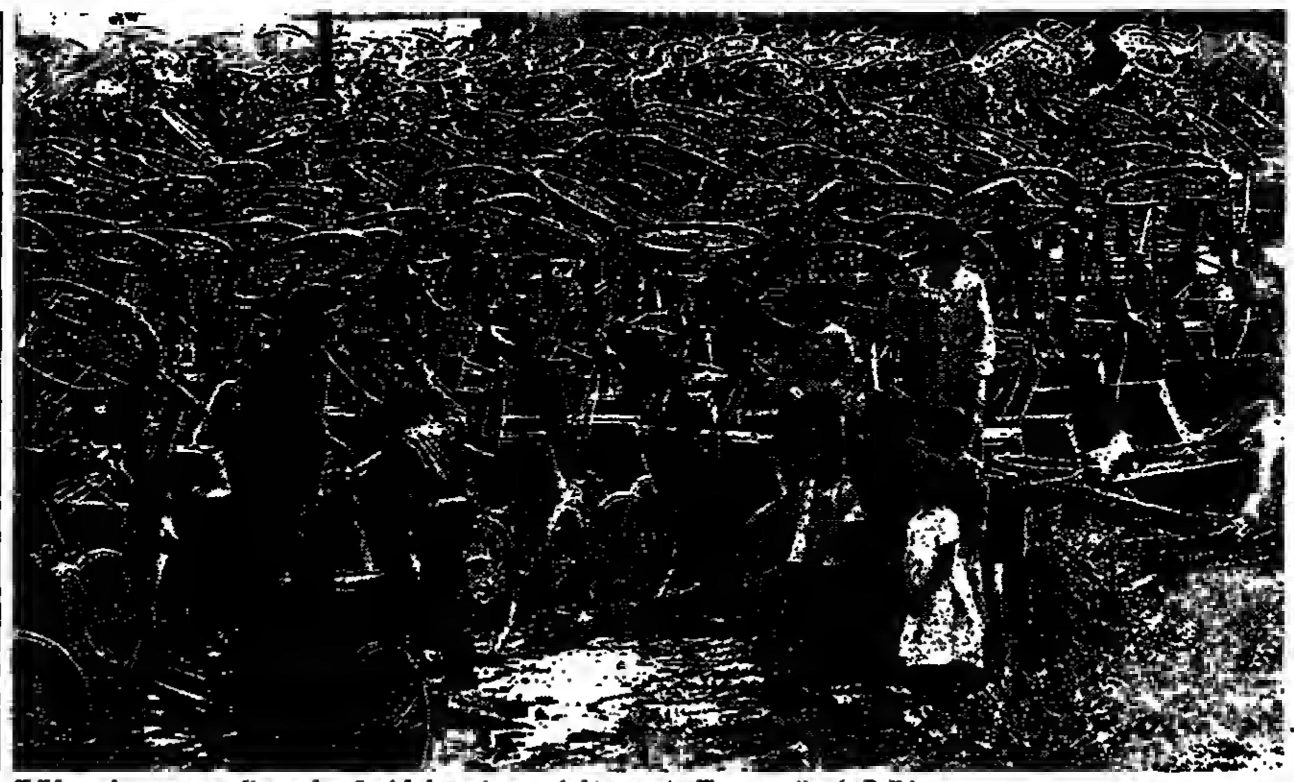
Mr Gardner said yesterday there was no US veto, but he expected a continued stalemate between Mr Ruggiero and Mr Kim, which would make a search for a new candidate inevitable. This, he implied, would be the outcome preferred by the US.

In Washington, one official admitted the administration was still uncertain what to do next, but defended its indecision on the grounds that Mr Salinas had only just left the race.

Meanwhile two Republican congressmen, Mr Scott McInnis of Colorado and Mr Jay Kim of California, are seeking support in Congress for the candidacy of Mr Kim Chul-su, on the grounds that Asia is the world's most important trading region.

EU officials are confident that most of Mr Salinas' Latin American backers will endorse Mr Ruggiero, a former Italian trade minister, who claims to be the front-runner inthe contest. That would normally be a signal for Mr Kim to withdraw.

The results are expected on March 13, just two days before Mr Peter Sutherland, current WTO chief, is due to leave. Trade officials said it was most unlikely, even if no consensus were reached on a successor, that Mr Sutherland would be asked to stay on at such short notice.



Children play among unlicensed cycle rickshaws impounded to ease traffic congestion in Delhi EPA

Central banks' united stand on dollar fails to do the trick

Concern in Germany and Japan as D-Mark and yen keep on rising

By Peter Norman in London and William Dawkins in Tokyo

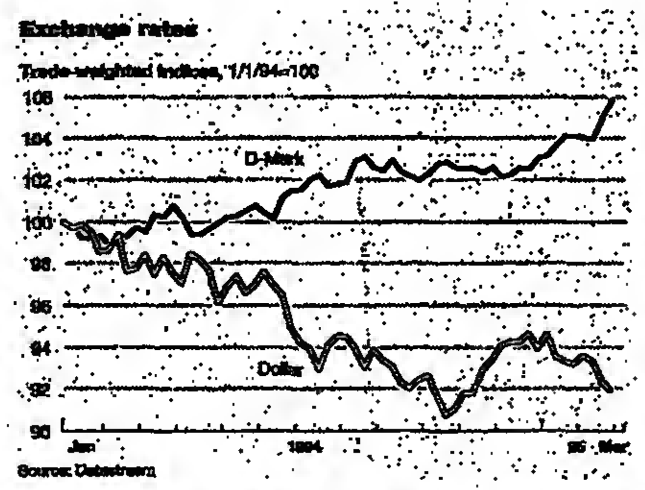
Yesterday's rounds of intervention to arrest the fall in the dollar saw an unlikely group of central banks acting in harmony.

The central banks of 15 European nations followed the lead of the US Federal Reserve and the Bank of Japan in trying to curb the rise of the two premier safe haven currencies – the D-Mark and the Japanese yen.

But their motivations differed widely. The Japanese government was primarily concerned that the new highs for the yen against the dollar would result in further erosion of the international competitiveness of Japanese industry. Foreign exchange instability was "undesirable" for the world economy, said Mr Tomiichi Murayama, the prime minister.

Mr Ryutaro Hashimoto, minister of international trade and industry, warned that the yen's new strength might derail Japan's economic recovery, by eroding export earnings.

The German Bundesbank, which led yesterday's intervention in Europe, was motivated more by a wish to be seen supporting the US authorities on one of the rare occasions that they had intervened in support of the dollar. With an unresolved wage dispute in the German engineering industry, it had no interest in easing competitive conditions for German industry and so reducing the resolve of employers to resist inflationary pay claims.



The long standing commitment of the Group of Seven industrial nations to maintain orderly market conditions was thought to be the main factor inspiring intervention by some of the larger European central banks, such as the Bank of England. The initial sharp slide in the dollar on Thursday, which prompted Fed action, took place at lunchtime in the US when market liquidity was low, and was perceived as erratic.

According to currency market analysts, some of the smaller European Union central banks saw the intervention as an opportunity to limit the depreciation of their own currencies against the D-Mark. If successful, countries such as Italy or Spain could have hoped to curb any upward pressure on their domestic interest rates.

However, the one common factor behind yesterday's central bank action was that it did not work. Towards the end of trading in Europe, the dollar was weaker against the yen and D-Mark than before the Fed starting supporting the currency on Thursday.

The yen's climb, to around 4.75 per cent above its average rate at the turn of the year, prompted business groups in Japan to complain that the currency was climbing out of line with the country's economic fundamentals.

In Germany, officials acknowledged that there had probably been some overshooting of the D-Mark against the dollar, the Italian lira and the Spanish peseta. But the authorities responded calmly to the D-Mark's strength with Mr Theo Waigel, the finance minister, saying it reflected international confidence in Germany.

There are, however, budding signs of concern in Germany's business community. Economists at Deutsche Bank, Germany's biggest commercial bank, said they would have to revise downwards their expectations of German export growth this year if the current strength of the D-Mark is maintained.

Mr Axel Siedeuberg, the head of economics at DB Research, a Deutsche Bank subsidiary, said, on a rule of thumb, the D-Mark's 4 per cent appreciation against its average value in 1993-94 would clip some 3 percentage points off export growth this year. In that case, exports would probably rise by only 5 per cent this year against the bank's initial expectations of an 8 to 10 per cent growth.

Senator defects to Republicans

By Jurek Martin in Washington

The Republican Party yesterday assuaged its defeat over the balanced budget amendment by welcoming into its ranks a Democratic convert, Senator Ben Nighthorse Campbell from Colorado.

It also acquired another candidate for its presidential nomination. Senator Richard Lugar of Indiana, a fiscal conservative but better known for his non-doctrinaire views on foreign policy, announced he would formally declare his bid in his home state on April 29.

Senator Campbell, an American Indian who wears his hair in a pony tail, said Thursday's defeat of the budget amendment, which he voted for, was instrumental in persuading him to switch parties. But he added he had been wrestling with his allegiance for some time because "I can no longer represent the agenda put forth by my party".

His defection raises the Republican majority in the Senate to 54-46 and is the second since Senator Richard Shelby of Alabama changed sides immediately after last November's mid-term elections.

But, unlike Mr Shelby, as conservative a Democrat as there was in Congress, Mr Campbell said he had always been and would remain "a moderate." This "used to concern the Democratic left," he said, "and now presumably will concern the Republican right".

Specifically, he said he remained in favour of abortion and the school lunch programme, both the target of many conservative Republicans. He said he had called President Bill Clinton, Vice President Al Gore and Governor Roy Romer of Colorado and told them yesterday that his switch was not "personal".

Senator Tom Daschle, the minority leader, predicted Mr Campbell would find himself "uncomfortable" in the Republican Party, which wanted to "annihilate many of the programmes he has stood for all his life." He suggested that the senator, first elected in 1992 after three terms in the House, should resign and run for re-election as a Republican.

Mr Lugar's candidacy, long mooted but complicated while former vice president Dan Quayle, also from Indiana, was deliberating a bid, puts a generally recognised moderate into a field mostly dominated by the doctrinaire right.

It also guarantees some discussion of foreign policy in the primary campaigns. The senator, 62, is a former chairman of the foreign relations committee (he currently heads the agriculture panel) and is a co-author of the US programme to assist the denuclearisation of the former Soviet states.

In making his announcement, he was particularly critical of Mr Clinton's foreign policy ("he is only interested from time to time") but also implicitly distanced himself from the more isolationist positions popular among rightwing Republicans.

Once considered, while mayor of Indianapolis, for the vice presidency by Mr Richard Nixon, Mr Lugar has been in the Senate since 1977. His low-key demeanour contrasts sharply with the more aggressive public styles of Senators Robert Dole of Kansas and Phil Gramm of Texas, the most prominent current candidates.

Mr Lugar said he had no intention of seeking to raise the $20-25m in campaign funding now reckoned to be necessary for a serious bid. Such an "entrance fee," he said, was "obnoxious to the American people".

Japan's industrial investment remains chronically weak

By William Dawkins in Tokyo

Japan's slow economic recovery has been further delayed but not derailed by the January earthquake, according to the Bank of Japan's latest quarterly business survey, released yesterday.

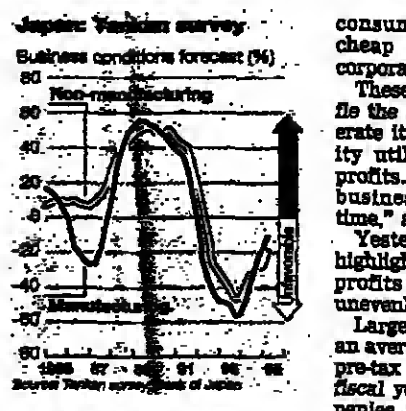
The Tankan survey of business confidence, the most authoritative guide to Japan's short-term economic outlook, found that business conditions in manufacturing industry improved, irrespective of the earthquake, while the service industry did less well than expected because of disruption to the distribution system.

Yet industrial investment, the motor of previous recoveries, remains chronically weak, so that this upturn will be weaker than earlier ones, said the central bank in its quarterly bulletin, also released yesterday.

On an index measuring the balance between those reporting better and worse business conditions, manufacturers improved from minus 29 at the last Tankan survey in November, to minus 21 in February. Service companies moved only a fraction from minus 30 to minus 29. In November, service companies had forecast that their confidence indicator would reach the same level as manufacturers by now.

The central bank will probably take this latest Tankan survey as evidence that it should continue with its neutral to firm monetary policy, said economists in Tokyo. This is despite the latest resurgence in the yen, which has refuelled criticisms that Japan's high real interest rates are delaying investment in new plant.

Large companies told the survey that they plan to cut fixed investment by 1 per cent this year, greeted by economists as an encouraging improvement on last year's 5.6 per cent investment decline. Fewer companies feel that they have too many workers or too much production capacity. Yet the improvement is slight: the index balance of those reporting excess employment fell from 25 to 24 during the quarter, while those reporting surplus production capacity fell from 34 to 27.



Export demand encouraged Japanese companies to increase investment during previous recessions and accelerate investment in the ensuing upturns, so ensuring strong economic recoveries, the BoJ bulletin pointed out. This recovery has to struggle not just against changes in the global economy, but also greater competition in Japan's distribution industry, domestic consumers' preference for cheap products and greater corporate cost cuts, it argues.

These pressures will not stifle the recovery, but will moderate it. "A recovery in capacity utilisation and corporate profits...is likely to stimulate business investment over time," adds the bulletin.

Yesterday's Tankan survey highlights how the corporate profits recovery is spread unevenly across sectors.

Large manufacturers expect an average 30.3 per cent rise in pre-tax profits in the current fiscal year, while service companies think their profits will fall by 3.4 per cent. The small manufacturers who make up Japan's army of subcontractors, by contrast, forecast a profits rise of a mere 1.6 per cent this year, slightly less than earlier expections.

The difference in profit outlook between large and small manufacturers underlines subcontractors' complaints that their big customers are continuing to squeeze purchase prices, even as the economic upturn continues.

INTERNATIONAL NEWS DIGEST

US 'looking to Claes successor'

The German government yesterday dismissed as "speculation" a report in Die Welt newspaper that the US wanted Mr Volker Rühe, the defence minister, to take over from Mr Willy Claes as secretary-general of Nato. In a report from Washington, where Mr Rühe has been conferring with the US government, Die Welt said the German minister, a staunch advocate of Nato enlargement, headed the list of possible successors to Mr Claes, who is under pressure because of a corruption scandal in his native Belgium.

Mr Claes was due in Washington last night, and barring new developments he is due to meet senior members of the US administration next week. Mr Rühe will be meeting his US, UK and French counterparts in Florida over the weekend. In Belgium, a judge confirmed a detention order on Mr Johan Delanghe, a former senior aide to Mr Claes. The aide's arrest was ordered by investigators probing the payment of sweeteners for a helicopter purchase by the Italian company Agusta to the Belgian Socialist party. The investigation was extended yesterday to include allegations that the French arms company Aérospatiale made payments to the Belgian party. *Bruce Clark and Michael Lindemann*

Argentine money rates soar

Argentina's interbank "call" money rates yesterday topped 50 per cent, four times their levels of last week, reflecting extreme liquidity problems in the financial system. Markets were shaken by news earlier in the week that paper manufacturer Alto Paraná had defaulted on $60m in debt obligations. The tensions sent the blue-chip Merval index down 7 per cent in early trading to reach its lowest level since June 1991, but in a late recovery stocks recovered strongly to just 1 per cent down, one hour before markets closed.

Argentina stocks have fallen by nearly half since Mexico's devaluation, with many government bonds suffering a similar fate. Strong futures orders to buy dollars at parity have raised fresh talk of devaluation, but the government reiterated it would take any measure but that, including dollarisation of the economy. Mr Cavallo on Monday launched a $3.8bn emergency package of cuts and plans to raise revenue. The failure of the measures to restore stability has provoked speculation that Argentina may have to turn to the IMF for a Mexican-style support package. *David Pilling, Buenos Aires*

Bank details obtained illegally

The British government faces a damages claim of £580,000 after a judge ruled that the attorney general of Gibraltar had unlawfully obtained secret Swiss bank information. The investigation was launched two years ago by British and Danish police into the collapse of a multi-million-pound property development by the Baltica group of Denmark.

The attorney general had requested information from the Swiss authorities relating to bank accounts held in the name of Arche Treuhand, a trust company, and the company's director, Mr Max Vollenweider. Gibraltar's Chief Justice Alister Kneller ruled the request was illegal without the authorisation of the Supreme Court. Lawyers for the company and Mr Vollenweider said last night they were seeking damages of £580,000 for loss of confidentiality, business, as well as legal costs. *Jimmy Burns, London*

Slower US growth indicated

The US official index of leading indicators was unchanged in January, providing further evidence that economic growth may be decelerating, figures indicated yesterday. Separately, the Commerce Department reported a 0.6 per cent increase in factory orders in January, about twice the gain predicted by Wall Street analysts. Both indicators were consistent with continued growth, but at a slower pace than the 4.6 per cent annual rate registered in tha fourth quarter. Analysts are now awaiting employment figures for February, due out next week, for a better guide to growth prospects this quarter.

Most economists believe growth is slowing but they disagree about the extent of the deceleration. Some doubt that the slowdown will be decisive enough to avert the need for further increases in short-term interest rates later this year. The flat reading for the leading index followed small gains of 0.1 per cent in November and 0.2 per cent in December. The index is meant to signal changes in economic activity six to nine months ahead but in practice is regarded as a guide to current conditions. The increase in orders followed robust gains of 2.7 per cent in November and 2.0 per cent in December. *Michael Prowse, Washington*

Czechs halt telecom sale

A Czech court has ordered a halt to an international tender for a stake in SPT Telecom, the Czech Republic's state-owned telephone company, as opposition grows to the government's plans to find a foreign partner to help modernise the country's creaking telephone system. The court upheld a complaint by Telis, a private Czech communications company, that the government unfairly excluded it from making an offer for the stake by limiting the number of bidders invited to tender. The economy minister, Mr Karel Dyba, called the court's preliminary order unjustified and said the government was confident it would be swiftly overturned on appeal. The tender would continue in the meantime.

The government is offering 27 per cent of SPT to a strategic partner in a deal that could be worth up to $1bn, the biggest telecommunications privatisation so far in eastern Europe. Current bidders are TeleDanmark; Stet International of Italy; Telfar, a consortium of France Télécom and Bell Atlantic of the US; CeTel, a consortium of Deutsche Telekom and Ameritech; and TelSource, a consortium of PTT Telecom Netherlands and Swiss Telecom in association with AT&T of the US. *Vincent Boland, Prague*

Japan's trade surplus drops

Japan's current account surplus was down 47 per cent to $3.7bn in January against $6.9bn in January last year. The Finance Ministry blamed a slowdown in export growth after the earthquake closed Kobe, Japan's third largest port, but admitted that even excluding the effect of the earthquake, the surplus was on a falling trend. Helped by the yen's strength, cheap imports surged by nearly 22 per cent, while exports rose a mere 4.7 per cent. At the same time, Japan's deficit on trade in services widened from $724m to $1.5bn. Another factor was a sharp swing from a $7.8bn surplus on the long-term capital account in January last year, when foreign investors were net buyers of Japanese shares, to a $3.1bn deficit, a consequence of foreign selling of Japanese equities. *William Dawkins, Tokyo*

Rexrodt rejects fraud claims

Mr Günter Rexrodt, the German economics minister, yesterday rejected allegations of wholescale misappropriation of government subsidies in eastern Germany. He conceded there had been some cases of misappropriation, but only DM570m of subsidies had been recalled after it was found that the monies had not been put to their intended use. Even this figure, he added, was probably too high as much money was recalled on the basis of incorrect documentation rather than fraud.

While claiming to share the public concern over the issue, Mr Rexrodt warned that the "emotionally charged" debate over the fate of subsidies threatened to "drive a barrier between east and west". Investment in eastern Germany would suffer if the current debate resulted in the introduction of further layers of bureaucacy to process and check the use of subsidies and investment incentives. *Frederick Stüdemann, Riesa, Saxony*

■ Switzerland's gross domestic product grew by 2.1 per cent in 1994 following a 0.9 per cent contraction of GDP in 1993 and a 0.3 per cent fall in 1992.

■ Italy's annual rate of inflation rose sharply in February, from 3.8 per cent to 4.3 per cent, according to Istat, the official statistics institute. The main push behind price rises came from big increases in urban transport costs and utility tariffs.

INTERNATIONAL COMPANIES AND FINANCE

Unilever joins forces in offer for Volvo offshoot

By Hugh Carnegy in Stockholm

Unilever, the Anglo-Dutch consumer products group, yesterday joined the growing list of companies interested in acquiring parts of BCP, the big food, drinks and tobacco subsidiary that is being sold off by Volvo, the Swedish vehicle manufacturer.

Unilever's Swedish arm is joining forces with Spira Invest, a small Swedish investment group with a range of interests in the local food industry, to bid for BCP's food division, Procordia, which groups its food and drinks operations.

Spira said the two might also bid jointly for the drinks division.

BCP, which recordedturnover of ebout SKr21bn ($137m) in 1994, is being broken up and sold by Volvo as part of a SKr40bn disposal programme to concentrate on its core car and truck operations.

The sell-off, one of the biggest corporate divestments expected in Europe this year, has become an awkward issue for Volvo, with strong internal resistanoe emerging within BCP to a purchase by foreign interests.

This week, Mr Kurth Augustson, chief executive of Procordia, called for his company to be floated on the Stockholm stock exchange instead.

Unilever may be hoping to calm fears of a foreign takeover by linking with Spira.

The Swedisb company is listed on the stock market and its biggest shareholder is the Swedish farm co-operative organisation. Other main shareholders includa Volvo, with a 9.5 per cent stake.

Spira, which posted 1994 turnover of SKr628m, said it intended to control Procordia's food operations jointly with Unilever. Unilever would contribute product development expertise and access to international markets.

Procordia is the biggest component of BCP, including the Swedish brewer Pripps, Ramlösa mineral water, and leading Swedish food brands such as Felix and Abba Seafoods. The other main unit is Swedish Match, a world leader in matches and lighters.

Swedish Match is expected to be sold off in the first half of the year. However, the sensitivity over Procordia may lead to a delay over its disposal at least until the second half of this year.

Swissair set to buy 45% holding in Sabena

By Caroline Southey in Brussels

Swissair is set to pay BFr6bn ($200m) for a 49 per cent stake in Sabena after the Belgian government agreed to tbe exemption of some social security costs for its national airline.

As part of the deal, Swissair is proposing that Belgian investors take a BFr2bn stake in Sabena, Mr Jean-Lnc Dehaene, the Belgian Prime Minister, said last night. "I think it should be possible that an agreement can be reached soon now," he added.

Swissair has been keen to establisb a presence in the European Union's aviation market, while Sabena has sought the deal to provide it with a much needed injection of fresh capital.

Talks with Air France, which holds a 37.5 per cent stake in Sabena, have not been concluded but are progressing in a "constructive and positive climate". Air France had initially resisted the sale of its stake, held through Finacta, a holding company that groups the French state-owned carrier and financial partners. Air France owns two thirds of Finacta, which holds 37.5 per cent of Sabena.

Bnt the Frencb airline shifted its position after failing to secure sufficient co-operation between the two groups. It has appeared more willing to sell its stake if it can recoup the BFr4bn it paid for its investment.

Talks between Swissair and Sabena had stalled following the Belgian airline's plan to relocate 480 pilots to Luxembourg to save on social security payments. "The exemption (of social security charges) was a key element in continuing talks with Swissair," Mr Elio Di Rupo, the Belgian communications minister, said yesterday.

The Belgian government has agreed to an exemption of BFr650m in social security costs. Mr Pierre Godfroid, chief executive of Sabena, earlier this year proposed relocating pilots to avoid Belgium's prohibitive social costs.

SCA tightens grip on PWA

By Christopher Brown-Humes in Stockholm

SCA, Europe's leading forestry group, yesterday tightened its grip on its newly-purchased German subsidiary, PWA, when it agreed to pay SKr1.48bn ($202m) to lift its stake to 75 per cent from 60 per cent.

Mr Sverker Martin-Löf, SCA president, said the purchase strengthened its position against possible opposition from minority shareholders to changes in the German group's strategy. He noted that the move had been well received by rating agencies, including Standard & Poor's which yesterday took SCA off its watch list and reaffirmed the group's long-term debt rating.

SCA paid DM1.2bn ($821m) for 60 per cent of PWA, Germany'e leading independent pulp and paper group, in January. Mr Martin-Löf said the latest purchase would increase SCA's debt-equity ratio slightly to about 90 per cent, but it would largely be funded from cash resources. The company plans to sell a 6.5 per cent voting stake in Industrivärden, an industrial investment group, for about SKr450m.

Mr Martin-Löf said SCA did not plan to bid for the rest of PWA, noting that the company's German profile, stock exchange listing, and access to capital were important. SCA plans to retain a 15 per cent voting stake in Industrivärden, which in turn holds a 24 per cent voting stake in SCA.

Spain to sell more Repsol shares

By David White in Madrid

The Spanish government yesterday agreed to sell a further 15 per cent in the Repsol oil group in an international placement expected to raise about Pta165bn ($1.29bn).

Final details, including the issue price, are expected to be announced around mid-March.

If successful, the long-awaited offering will cut the government's stake in Repsol to 25.5 per cent from 40.5 per cent, held through the Instituto Nacional de Hidrocarburos.

About half is due to be placed outside Spain in four sub-tranches – the UK, continental Europe, the US and the rest of the world.

The domestic tranche will be divided into institutional and retail offerings, with part of the latter reserved for employees and distributors. Repsol said market research indicated strong domestic interest.

No further placement was planned in the short or medium term, it said. Uncertainty over the size of the offering has pushed Repsol's share price below what analysts believe to be its true value. They closed yesterday at Pta 3,670.

Limiting the sale to 15 per cent – 45m shares – avoids complications under Spain's new privatisation law, due to come into effect soon. Under the law's "golden share" provisions, the sale of a larger part of the government's stake, bringing its participation to below 25 per cent, would have required a special decree.

Luxottica bids $1.1bn for US Shoe

By Richard Tomkins in New York and Andrew Hill in Milan

Italian-based Luxottica, one of the world'e leading spectacle frame manufacturers, yesterday announced a surprise $1.1bn takeover bid for US Shoe, e troubled US retailer operating 2,333 women'e clothing outlets, spectacle stores and shoe shops.

Luxottica launched a cash tender offer for all US Shoe's shares at $24 a share.

If the bid succeeds, it will probably dispose of US Shoe's footwear and women's clothing divisions, bnt keep its LensCrafters optical goods stores.

The Italian company said it was putting its offer to shareholders after failing to win US Shoe's agreement to a merger. US Shoe's shares, recently depressed by the company's weak financial performance, shot up $6 to $24¾ on the news; but Luxottica's shares, traded on the Naw York Stock Exchange in the form of American depositary receipts, tumbied $5¼ to $34½.

Luxottica was founded in the early 1960s by Mr Leonardo Del Vecchio, now one of Italy's richest entrepreneurs. It has been aiming to increase its share of the designer frame market – producing glasses for Giorgio Armani, Giugiaro and Byblos – and the sunglasses sector. It recently acquired a 51 per cent stake in Brico, a manufacturer of glasses and equipment for skiers and cyclists.

The LensCrafters acquisition would give Luxottica control of one of the biggest optical goods retailers in North America, with 530 stores in the US and 59 in Canada. Luxottica said that by buying a retail chain it hoped to promote its products direct to consumers.

US Shoe has been ailing for several years because the profitability of its LensCrafters business has been countered by the indifferent performance of its footwear division and heavy losses from its women's clothing stores.

It has facad repaated requests from its shareholders to consider a break-up of the business. Recently it had been considering a sale of its footwear business to Nine West, a rival US footwear group, but Nine West pulled out of the talks two weeks agoclaiming the price tag of $600m plus stock warrants, agreed earlier between the two parties, was too high.

Focus narrows on US for growth

Andrew Hill reports on an Italian attempt to acquire optical superstores

The life story of Mr Leonardo Del Vecchio is a tale you may be hearing e lot more of over the next few weeks.

In brief, it tells of e man educated in a Milan orphanage, who started with a small spectacle workshop and now heads Luxottica, a company whicb manufactures 63,000 pairs of glasses a day and seeks to dominate tbe fragmented world market.

Yesterday Mr Del Vecchio, who will turn 60 in May, announced a further etep towards that goal when the Italian company launched a $1.1bn hostile tender offer for control of US Shoe, an Ohio-based retailer of shoes, women'e clothes and optical goods.

This is not a rash first move into unknown geographical territory. Luxottica's first geographical market has always been the US, and although otber markets are growing fast, US operations still accounted for 39.5 per cent of the group's L813bn ($489m) turnover last year.

Moreover, a quarter of Luxottica's shares has been traded on tbe New York Stock Exchange since January 1990.

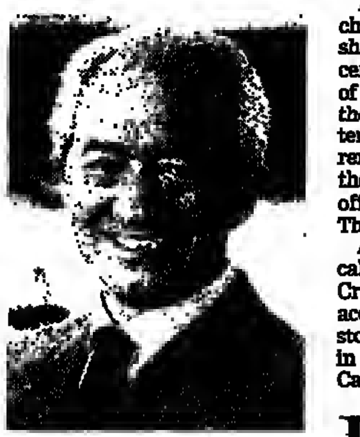
Nor does the US Shoe bid mean Luxottica is diversifying into women's apparel or footwear.

Luxottica is interested only in US Shoe's chain of "optical superstores" in Canada and the US, the biggest in north America. It has already made clear it intends to dispose of the other two operations.

However, even if Luxottica manages to dispose of the clothing and footwear activities, the purchase of the stores will still represent a change of strategy for the Italian group, which has so far avoided direct ownership of retail outlets.

The announcement of the move prompted a sharp drop in Luxottica's share price in New York, suggesting that in spite of the Italian group's success to date, investors are concerned about the size and timing of the bid.

Luxottica has built its strong position in 18 different countries on the back of four factories, all in north-east Italy, and a distribntion network of wholly- or part-owned subsidiaries in each of the countries where its products are sold.



Leonardo Del Vecchio: a change of strategy

In the last two years or so, the gronp's exports have been helped by the weakness of the Italian lira, but recently this has begun to have an impact also on the price of raw materials, mostly priced in D-Marks or US dollars.

The group itself claims it can exercise a strong inflnence over independent retailers, one explanation of how Luxottica it has been able to go on improving margins: net profits last year rose 36 per cent to L124.9bn, giving a net margin of more than 15 per cent.

As Mr Del Vecchio himself put it in an interview earlier this year: "We don't have higher prices than others, we sell et different conditions: there are particular promotions, but in the end our product is so important for the client that they are constrained to accept our conditions."

Until yesterday'e bid, it looked more likely that Luxottica would aim to expand through the development of its designer lines, further diversification into sunglasses and acquisitions taking it into niche markets, such as eyewear for cyclists and skiers. Luxottica already produces glasses for famous names like Giorgio Armani, Brooks Brothers, Yves St Laurent and Sergio Tacchini. In 1994, designer frames accounted for more than 50 per cent of turnover for the first time.

Apart from tbe apparent change in direction, Luxottica shareholders may also be concerned about tha coincidence of the bid with the weakness of the lira against the dollar. Yesterday evening, the Italian currency was trading at L1,673 to the dollar, compared with an official price of L1,658 on Thursday.

Acquiring the US Shoes' optical division, known as LensCrafters, will give Luxottica access to 530 optical retailing stores and leased departments in the US, and 59 stores in Canada.

Luxottica is obviously hoping that the acquisition of a retail chain will enable it to widen the distribution of its products and make the US and Canadian consumer more directly aware of the quality of its frames.

Mr Del Vecchio himself yesterday left the handling of the bid to his son Claudio, the gronp's managing director, who is in charge of Luxottica's US operations.

CS First Boston Corporation is advising Luxottica on the bid, and the Italian group said it had set np a $1.45bn credit facility from Credit Suisse, which would be used to finance the offer.

But the size of the target – LensCrafters' turnover of $706m is greater than Luxottica's overall sales for 1994 – may make US Shoe a difficult acquisition for the Italian group to digest.

NEWS: UK

MPs back concession that will bring industry into line with rivals in other EU states

Tax relief for insurers wins surprise backing

A new tax relief which insurance companies say is vital if they are to compete in mainland Europe came closer yesterday when the House of Commons unexpectedly approved the necessary preliminary legislation, writes Ralph Atkins, Insurance Correspondent.

The Commons backed a Conservative MP'a bill which would set e framework for the Treasury to allow tax relief on reserves built up by insurance companies during profitable years for use when catastrophes occur. The bill passed through all its Commons stages without a vote even though MPs of the opposition Labour party blocked it earlier in the year.

If the relief is approved by the House of Lords, it might be introduced as early as this year's national Budget in November. The decision in the Commons marked a significant victory by the UK insurance industry, which has lobbied for many years for tax relief on such reserves. Relief on "equalisation reserves" is available in most other European countries, including Germany and France, and makes underwriting many types of individual and commercial insurance policies less vulnerable to big profit swings caused by natural disasters.

Mr Mark Boleat, director-general of the Association of British Insurers, said the all-party support for the bill was "good news for the UK economy, our policyholders and the future strength of insurance companies".

The Treasury has hinted it would support tax relief – though it is not clear whether it would insist on the measure being revenue-neutral. The association said it regarded the industry as having paid "up front" through the Insurance Premium Tax which the Treasury introduced last October.

The threat of competition from other European Union insurers increased last summer when EU insurers were allowed to operate anywhere in the Union on the basis of regulations in their home state. This has increased the pressure for tax differences to be smoothed.

Mr Mike Jones, spokesman for Sun Alliance, the composite insurer, said tax relief for equalisation reserves "will enable us to compete with other European insurers on a basis which will be far less distorted by tax considerations." The bill allows the government to draw np a regulatory regime for equalisation reserves – which the Treasury regards as e prerequisite for granting tax relief. Equalisation reserves allow insurers to put aside income, free of tax, when claims are low so that they can be released and taxed when there is a catastrophe.

Court delays £210m damages payment to Gooda Names

By Ralph Atkins

Names on Gooda Walker syndicates, who include many of the the worst hit members of the Lloyd'e of London insurance market, suffered a setback yesterday when a £210m ($333.9m) damages payment was delayed by the Court ef Appeal in London. A stay was ordered pending a challenge to the "first come, first served" basis on which Names are being compensated.

The decision by the court to shelve the interim payment awarded by the High Court last

LLOYD'S

LLOYD'S OF LONDON

month followed a suit mounted by groups representing thousands of Names further down the litigation queue. Names are individuals whose assets have traditionally supported the insurance market.

The groups appealing against the "first come, first served" system fear that the 3,000 Gooda Walker Names awaiting damages will absorb most of the limited funds available for meeting claims.

The Gooda Walker Action Group took comfort from the Court of Appeal's agreement to expedite the appeal, which will be heard on April 26 and 27. It is also to receive £3m of the interim award in advance to help fund its legal costs even though the group is close to completing the raising of a similar sum from its members.

Mr Michael Deeny, chairman of the action group, said: "At last the money is beginning to flow back towards the Names." He expected the "first come, first served" syatem to be upheld by the appeal court.

The "errors and omissions" insurance pot – out of which the Lloyd's agencies being sued by Names will fund court awards – is estimated to be worth little more than £1bn against total damages claims of more than £3bn.

Mr Ian Spooner of the Janson Green action group, one of the seven groups challenging tha "first come, first served" system, said: "From the point of view of the vast majority of Names, it is better to have an equitable distribution of E&O funds."

In total the Gooda Walker action group is seeking £459m compensation for losses incurred during the late 1980s and early 1990s, plus £40m for foreign exchange losses, though it has acknowledged tha E&O cover available may be nearer £300m. A hearing on the final level of damages is due on March 27.

Alloys push up steel prices

By Andrew Baxter

Increases on products for engineering may reach 10% next month

Users of engineering steel, the raw material for forgings and hundreds of other components in the automotive, aerospace and general engineering industries, are facing further price rises of as much as 10 per cent from the beginning of April.

UES Steels, Europe's largest manufacturer of engineering steels, said the price of some grades would rise sharply becanse of "dramatic" increases in the price of three alloys – molybdenum, nickel and vanadium. The alloys are used in varying quantities to make the steel easier to machine or forge. UES produces about 1.5m tonnes of steel a year.

Details of tha price increases have yet to be finalised, but are bound to intensify the pressure on users to pass on their increased costs to industrial customers. Prices of carbon and alloy engineering steels have already risen 30 per cent since the beginning of 1993 according to the British Forging Industry Association.

Yesterday tbe association said it had had mixed success in passing on the increases to customers. Steel typically accounts for 40 per cent to 50 per cent of the total price of a forging, and the forthcoming price rise would exacerbate the squeeze on forging producers.

UES is raising the surcharge it levies for every 0.1 per cent of molybdenum content from £5.70 ($9.05) to "up to £20" and the nickel surcharge from £1.60 to about £3. A vanadium surcharge of £6 per 0.1 per cent is being introduced.

UES, based near Sheffield in northern England, said the price of molybdenum had risen fivefold in the past 12 months, and nickel had doubled. Vanadium prices had nearly trebled in the past three months.

The increased surcharges are likely to raise the total price of most alloy steels by 5 per cent or less. Typically, the molybdenum content of alloy steels is ½ to 1 per cent.

But the price of a popular stainless grade, 316, would rise by about 10 per cent. This is produced in billets and tubes by UES and has 2.25 per cent molybdenum and around 10 per cent nickel, said Mr Peter Fish of Meps (Europe), the Sheffield steel consultancy.

US group opens phones assault

Nynex CableComms, an offshoot of Nynex of the US and one of the largest UK cable companies, yesterday said it would undercut British Telecommunications' standard charges by a quarter, Raymond Snoddy writes. It is the largest discount offered by a cable company. Nynex says its average residential customer will save 25 per cent over BT's standard prices for line rental and call charges combined, before discounts and promotions.

The cut, to take effect on March 17, comes just before Nynex CableComms plans a simultaneous flotation on the London Stock Exchange and on the Nasdaq market in the US. The move is expected to raise £400m ($636m) for the company and value it at about £1.5bn.

Nynex has already sold about 100,000 domestic telephone lines mainly in cable franchises in the south of England. Its parent, the US telephone company, is also adding telephone capacity in cable franchises in the north of England. Nynex has cable franchises covering 3.7m homes and eventually hopes to offer telephone and television services to all of them.

Mr Alan Bates, chief executive of Bell Cable Media, another large cable group which offers discounts of up to 15 per cent, said: "We don't see any need whatsoever to go any lower than that."

BT's share price fell £0.06p in London yesterday to close at 376p.

UK NEWS DIGEST

Harrods chief scorns 'nasty' government

Mr Mohamed Fayed, chairman of the Harrods store in London, and his brother Ali were last night considering legal action after their applications for British citizenship were rejected. Friends of the brothers described the decision as a "nasty and small-minded" act of vengeance and suggested that they had been double-crossed by the government. A Harrods statement said the brothers "consider that these refusals are unfair and based upon prejudice. They are taking legal advice".

Advisers for the Fayeds acknowledged thet with no right of appeal on such nationality issues, they would have to determine that the reasons for the rejection were illegal in order to secure a judicial review. Ministers have suspected that Mr Mohamed Feyed's belief that his brother's application was running into difficulty sparked his crusade against government "sleaze" last year. Mr Fayed, a long-time financial supporter of the Conservative party, was the source of "cash-for-questions" allegations that resulted in the resignations of two junior ministers. Mr Hamilton denied the claims.

John Kampfner, Westminster Correspondent

N Sea equipment contracts worth £21m

Amec Process and Energy, part of the Amec engineering group of the UK, has won two big contracts worth a total of £21m ($33.4m). One contract, for an internal turret for a floating production, storage and offloading system (FPSO), was awarded by Single Buoy Moorings of Switzerland. The other, from Stork Protech of Holland, is for 23 modules totalling more than 3,500 tonnes. The contracts will secure 250 jobs at Amec's yards in north-east England.

Both contracts, won against European-wide competition, relate to the development of the Teal, Teal South and Guillemott oil fields in the central North Sea. The contracts mark Amec's first entry into FPSOs, the new generation of floating facilities being developed to exploit marginal oil and gas fields in the North Sea.

In recent years Amec's yards have built some of Europe's largest offshore oil and gas industry modules. But in the past year it has missed two big orders, each worth about £50m ($79.5m), which went to its UK rival Trafalgar House. Amec employs 850 people compared with 3,000 in the early 1990s boom.

Chris Tighe, Newcastle upon Tyne

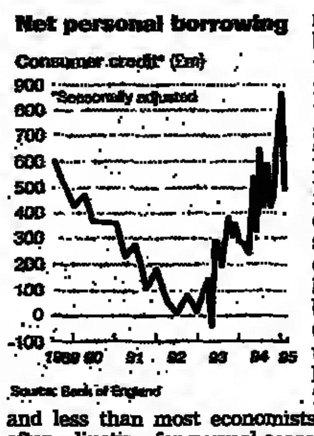
Offer in ferry dispute

Meridian Ferries, the UK company at the centre of a dispute with French seamen's trade unions over its employment of Polish crews, offered yesterday to substitute European Union crew members – but only if it was allowed to operate e passenger service. The company now operates freight-only sailings between Folkestone in England and Boulogne in France, but has been seeking to persuade Sea Containers, owner of the port of Folkestone, to allow it to carry passengers on one of its two vessels. The dispute over the employment of Poles, who are paid less than French seamen, led to a blockade of ferry sailings to Calais last month.

Anti-trust investigation: European Union anti-trust officials are to bold a further hearing on Monday into charges that UK ferry companies colluded to fix freight rates for the English Channel after sterling's withdrawal from the EU exchange rate mechanism in 1992. Truck transport companies complained that the ferry groups had all imposed the same freight surcharges.

Charles Batchelor, Transport Correspondent

Consumers borrow less



Consumer borrowing fell back sharply in January, reflecting the weakness of spending during that month, figures from the Bank of England showed yesterday. Consumer borrowing rose by a net £492m ($782m) in January, barely half the figure in December and less than most economists had expected after adjusting for normal seasonal influences. This was consistent with the 0.9 per cent drop in retail sales volume during the month. Borrowing on credit cards rose by £115m during the month compared with the record rise of £302m in December.

Consumer credit continues to grow strongly on an underlying trend basis. January's 0.9 per cent seasonally adjnstad increase gave an 11.4 per cent rise over the year. Consumer credit growth has been accelarating recently, with an increase equivalent to 15.6 per cent a year taking place in the latest three months.

Small businesses gloomy: Prospects for small businesses are picking up rapidly, with many reporting booming export and order books, says an S.G. Warburg survey of 350 small businesses. But it adds that confidence is slipping nevertheless, and says many small companies are increasingly gloomy about inflation and interest rates. One reason for this growth in the "feel bad" factor may be a growing sense of political uncertainty, Mr Darren Winder, UK economist at Warburgs said.

Failure rate declines: Business failures, as measured by the appointment of administrators and receivers, fell by 29 per cent to 176 last month compared with February last year, accountants Touche Ross reported yesterday. "The reduction confirms that the recovery is slowly gaining ground despite the rise in interest rates intended to counter inflationary tendencies," Touche said. *Economics Staff*

COMPANY NEWS: UK

Gypsum rejects BPB but is willing to talk

By Tony Jackson in New York and Andrew Taylor in London

National Gypsum, the US plasterboard maker, yesterday rejected this week's $1.12bn (£700m) bid from BPB of the UK as inadequate. However, it left the door open to a deal at a higher price.

Gypsum said its special committee of directors, meeting on Thursday, had determined that the company was not for sale at the offer price of $48.50 per share. The committee also considered a statement from its rival suitor Delcor, the North Carolina inveetment group, that it might top BPB's bid in an all-cash offer.

Delcor'e previous offer, launched in November and raised last month, had already been rejected by the company. Mr Dixon Spangler, head of Delcor, was also chairman of Gypsum until voted out by fellow directors last week.

It is unclear how far Delcor's announcement sets off a genuine bid battle, and how far it is merely designed to increase the value of Delcor's 19 per cent stake in Gypsum. However, the Gypsum board is obliged to take it seriously as a means of maximising the return to its shareholders.

Gypsum said the special committee believed a sale of the company might not be in shareholders' best interests. However, management would evaluate "whether there is bona fide interest in a transaction et a price level which could support the commencement of a process to maximise shareholder value".

The committee said it had reached this decision "in light of BPB's suggestion that it may increase the price per share following a due diligence review of the company, the Delcor announcement and other expressions of interest received by National Gypsum".

BPB, Europe's largest plasterboard manufacturer, declined to comment yesterday but was thought to ba satisfied it would be able to complete due diligence studies with Gypsum's support and that the door was still open for a deal.

The British group will need to satisfy itself about Gypsum's potential liability to asbestos-related claims for damages before it can mount a formal offer.

Lafarge Coppée, the French cement group and plasterboard manufacturer which has a 10 per cent stake in Gypsum, has still to announce its reaction.

Panel clears SBC and Trafalgar

By David Wighton

The Takeover Panel has cleared Swiss Bank Corporation and Trafalgar House of breaching its rules over their controversial derivatives dealings ahead of Trafalgar's £1.2bn bid for Northern Electric.

But the Panel has promised a review of the use of derivatives in takeovers and the disclosure exemptions afforded to marketmakers.

The Panel's statement mirrors that made last month by the Stock Exchange, which cleared SBC and Trafalgar but eaid that the regulations may have to be changed.

Northern had appealed against e ruling by the Panel Executive before the bid which gave approval for the contracts.

But the appeal has now been dismissed by the Takeover Panel. It said: "The Panel nevertheless took the view that this case raised a number of significant issues and has therefore asked the Panel Executive to urgently review the use of derivative products in takeover situations and the relevant exemptions afforded to marketmakers."

Meanwhile, Trafalgar has complained to the Panel about a statement by Northern in a letter to its shareholders, in which it says that it has committed banking facilities of £350m from SG Warburg, its adviser, to fund its £5.07 a share benefits defence.

Trafalgar has asked the Panel to rule on whether it was right to describe the facilities as "committed".

Warburg argues that it has givan Northern an unconditional offer of funds on agreed terms and that since the announcement Northern has had several offers from banks on better terms.

Trafalgar is pressing for the terms to be disclosed.

Gehe considers bid for AAH 'generous'

By David Blackwell

Gehe, the German pharmaceuticals wholesaler, yesterday posted its offer document for AAH, the UK drugs distributor and retailer, urging shareholders to accept its "generous" £377.4m cash bid.

The document points out that Smith New Court, recently appointed joint broker to AAH, last month forecast earnings of 20.3p for the year to the end of March. This marks a fall of 34.7 per cent on previous adjusted earnings, compared with a fall of 28.6 per cent predicted by Hoare Govett, AAH's other broker.

The document also quotes a report by James Capel describing the 420p a share offer as "e full and fair value for AAH. It is difficult to see who within the industry is likely to instigate e counter bid".

AAH, which has issued two profit warnings in the last three months, said it was not impressed. "This document contains nothing new and shareholders should continue to take no action. The unsolicited offer significantly undervalues AAH and its potential."

Gehe acquired a 1.4 per cent stake on Monday taking its bolding to 2 per cent.

Up to 33p premium on power shares

By Peggy Hollinger

The government is expected to set the final instalments in the £4bn sale of its remaining 40 per cent stakes in National Powar and PowerGen at between 26p and 33p above last night's closing prices.

It is understood that tha Treasury was focusing on a fully paid price for the shares of between 26p and 31p above the price close for National Power and between 28p and 33p for PowerGen.

This would imply a final instalment price for institutional investors of between 122½p and 127½p for each National Power share and between 130p and 135p for PowerGen.

The first two instalments for institutional investors total 360p for National Power and 390p for PowerGen. Private investors will receive a 10p discount. National Power's shares closed 5½p down at 456½p and PowerGen fell 2p to 492p.

The price range of the final instalment is the result of the value which institutions have applied to the shares in the international bidding exercise.

Institutional investors place a greater value on partly-paid shares in the first year, due to the fact they will receive a full dividend. This added value is taken into account when setting the final instalment.

However, the price will not be decided until Sunday, after the 1,300 bids from institutions around the world have been collated.

Meanwhile, the government is expected to increase the proportion of shares in the £4bn issue which are available to private investors from 40 per cent to up to 60 per cent.

More than 1m applications were received from private investors, leaving the public offer subscribed twice over.

The division between the public offer and the retail tender – which is generally subscribed to by wealthier investors – will also be announced on Sunday.

The shares are due to begin trading on Monday.

See Weekend Money

Buoyant bus and coach operations offset dull motor division

Henlys accelerates to £16m

By Motoko Rich

Dramatically improved margins in the bus and coach business helped Henlys Group overcome weak results in the motor division to report more than doubled profits for 1994.

Group pre-tax profits rose from £7.3m to e record £16.1m on turnover up 5 per cent to £389.9m (£372.2m).

Mr Robert Wood, chief executive, said the bus and coach division, which quedrupled operating profits to £8.39m (£1.89m) on turnover ahead from £66.2m to £78.4m, benefited from improved demand, a diversified product range, and efficiencies.

Manufacturing volumes in the division increased 39 per cent and output per employee was up 38 per cent. Cost cutting had made the division highly operationally geared, while margins improved in the second half, jumping from 8 per cent to 13.4 per cent.

However, margins in the motor division were tightly squeezed and demand for new cars in the second half was slack, resulting in flat turnover and an 8 per cent drop to operating profits to £6.96m on turnover of £311.5m (£306m).

New cars sold to the fleet market declined 5.9 per cent, while sales to private buyers rose 4.6 per cent. National registrations of new cars rose 7.45 per cent.

Henlys said it had encountered difficult trading in the accident repair market.

Overall results were flattered by £2m in exceptional profits, but the underlying figures exceeded expectations and the shares gained 10p to close at 269p.

The recommended final dividend is doubled to 6p, lifting the total to 8.5p (4.5p), against 7.5p forecast at the time of the rights issue in March.

Earnings per share rose 79 per cent to 25.9p (14.5p).

Following the rigbts, oet cash at the year eod was £7.5m. Mr Wood said the company was prepared to raise gearing to 40 per cent by expanding the motor division beyond the "big four" domestic manufacturers.

Trevor Humphries

Robert Wood: prepared to expand beyond the big four carmakers

● COMMENT

Having limited its exposure to the volatile new car market by focusing on an efficieot bus and coach division, Henlys has pulled itself up by the bootstraps from its lossmaking performances in 1991 and 1992. Weakness in the motor division largely reflects the market and the company is taking steps to limit the effect of tight conditions by expanding its franchiee renga. Further growth will come as the luxury coacb market moves out of recession. Forecasts for 1995 pre-tax profits are between £19m and £21.5m. A forward p/e of about 10 puts the company at a discount to Trinity Holdings, its nearest competitor in bus manufacturing, though at a marginal premium to the motor distribution sector. On both counts, the shares seem undervalued.

Lloyds Bank chiefs get sharp pay increase

By Alison Smith

Sir Brian Pitman, chief execntive of Lloyds Bank, received a 28 per cent pay rise last year, taking his pay package to £571,383 for 1994, excluding employer's pension contribntions, according to the annual report.

The total includes a performance-related payment of £150,000, compared with a similar payment of £125,000 in 1993. This was calculated on several factors, including earnings per share. It also included staff profit sharing.

The bank said yesterday that the salary rise was needed because there had been "clear evidence that his pay was below the market rate for a top chief executive of a very large, sncceseful business". Sir Brian's pay is set by the bank's remuneration committee.

Last month, Lloyds reported a 26 per cent rise in pre-tax profits to £1.3bn for 1994.

The report sbows that Sir Robin Ibbs, chairman, also received a significant pay rise, of 31 per cent, taking his pay package to £292,934, against £223,326 the previous year.

The Lloyds remuneration committee is made up of five non-executive directors, including Sir Richard Greenbury, who chairs the committee set up as a result of an initiative by the Confederation of British Industry to design a code of practice for companies on executive pay.

MFI forecasts trimmed after margins warning

By Neil Buckley

Analysts yesterday downgraded profits forecasts for MFI after the furniture retailer and manufacturer warned that rising raw material costs were squeezing margins, and an increase in winter sales had been less than expected.

City forecasts for the year to May were trimmed from £80m to between £65m and £70m.

The shares fell 5p to 110p.

Mr John Randall, managing director, said paper prices were going "through the roof", while MFI also faced rising costs for timber, chemicals and plastics.

At the same time, sales of appliances and beds had grown more strongly than sales of the kitchens and bedrooms which MFI makes itself – and on which it makes bigger margins.

Mr Randall said that gross margins had fallen by "about a percentage point" from the 52.9 per cent achieved in the first half. He added that MFI was reviewing pricing after the end of its winter sale, and would be making some "tactical" price increases.

Group sales so far for the second half were up 8.5 per cent. Sales in MFI's Hygena chain in France showed an increase of 65.4 per cent in local currency terms.

UK sales were up 6.6 per cent, with 6.1 per cent from existing stores – less than both analysts and MFI had boped.

Union falls £3.5m into the red

By Geoff Dyer

Union, the financial services group, blamed volatile conditions in bond and equity markets for e pre-tax loss of £3.46m in 1994.

The group, which used to be known as Union Discount, had returned to the black in 1993, with pre-tax profits of £4.55m, after suffering large losses in 1991 and 1992.

Mr George Blunden, tha chief executive who joined Union from SG Warburg in 1992, defanded its strategy: "We are going through e transition period. Small institutions should not take large bets, so we are looking for more fee income from services provided to clients."

The operating loss of £5.11m included an exceptional charge of £1.42m – £604,000 of costs from the acquisition of CAL Futures in December and £819,000 for a reorganisation of trading and broking. The disposal of the leasing business resulted in a profit of £1.84m.

Union's money market activities returned an operating loss of £1.72m, after making a profit of £2.07m last year. Mr Blunden said that it lost money in tbe volatile gilts market in the first half of the year and was hit by rising short-term interest rates in the second half.

Low volumes caused the equity and gilt-edged market division to lose £561,000 (profits of £741,000) and the cash management business incurred losses of £776,000 (profits of £103,000) after two large clients withdrew their accounts to pay tax bills.

Losses from derivatives broking increased from £174,000 to £901,000.

Losses per share were 15.2p (11.1p earnings). Union declared a final dividend of 1.5p, making a same-again 3p for the year.

The shares were unchanged at 75p.

Dawson shares fall 11% on second half caution

By David Blackwell

Daweon Internationel, tbe Edinburgh-based textiles group that was forced to close its lossmaking fleece and jersey business in the US last year, yesterday warned that second half profits would be "modestly below current expectations".

The shares lost 12½p to 96½p, a fall of 11 per cent. Last May the gronp made a £45m 1-for-4 rights issue at 120p after notching up a pre-tax loss for the year to March 26 of £95.4m.

Tbe group yesterday repeated the warnings made by Sir Ronald Miller, chairman, et the interim results last December of tough market conditions and the exceptionally mild winter throughout tbe northern hemispbere, whicb has curbed demand for sweaters and thermal underwear. After the interims the City scaled back profit forecasts to below £30m for the full year.

Yesterday's statement said tbe board had commissioned consultants to look at poorly performing parts of the group.

Analysts believed this to refer to Dawson Home Fashlons, a maker of sbower curtains and bath mats in the US that lost £2.9m last year. In May the group made e £12m provision for tbe company's sale or restructuring, but later in the year abandoned plans to sell. It is understood that a disposal could once again be under consideration.

The statement referred to "significant" exceptional provisions, "the cash element of which is not expected to be e major part".

Sir Ronald said it was essential to improve returns to shareholders "by focusing our resources oo the growth of the businesses where we have stroog positions".

Bell Cablemedia net losses surge to £26.4m

By Raymond Snoddy

Bell Ceblemedia, one of tbe largest UK cable operators, reported substantially increased net losses for last year – in line with expectations.

The company, which has more than 2m homes in the UK under franchise, yesterday announced a net loss for 1994 of £26.4m, compared with £5.5m in 1993.

The fall was attributed to the acceleration in tbe construction of the company'e cable networks for both television and telecommunications services which stretch from east London and East Anglia to the north-east of England.

Revenue rose from £5.7m to £19.5m. Net assets increased from £101.4m to £437.6m reflecting expansion of the network, acquisitions completed during the year and cash raised from flotation on Nasdaq.

"We are in good shape. We are where we expected to be on all the parameters by whicb we are judged," said Mr Alan Bates, chief executive. He bopes the group will break even at the operating level by the end of 1996 or early 1997.

Bell Cablemedia bas full ownership of 89,500 cable television subscribers – tbe company has a oumber of minority stakes and partnerships – and 65,200 residential telepbooy lines on a similar basis.

The total of cable television subscribers more than doubled and the number of resideotial telephone lines more than trebled from 1993's figures.

The penetration rates – the percentage of people able to subscribe who have taken out prescriptions – was 22.3 per cent for television and 25.7 per cent for telephony.

Nightfreight hits forecast with £4.5m

By Ian Hamilton Fazey, Northern Correspondent

Nigbtfreight, tbe express parcel and freight carrier which came to the market in May, yesterday announced annual profits in line with its prospectus forecast.

The Liverpool-based group made £4.51m pre-tax in the year to November 30, against £2.03m, partly reflecting the purchase of Greenline Carriers and PHS Group in November 1993. The enlarged operation lifted turnover from £21.4m to £46.5m.

The £11.1m net proceeds of the flotation were nsed to clear debt of about £10m incurred io the acquisitions. Earnings per share jumped 50 per cent to 7.48p (4.98p). A proposed final dividend of 2.25p brings the total to 3.38p.

More tban 40 per cent of the company is owned by Mr Peter Johnson, chairman, Mr Russell Black, cbief exectitive and founder, and tbeir family ioterests. Mr Johnson, chairman of Park Food and Everton Football Club, injected venture capital to part-finance a £1.85m expansion io 1989 and sold some of his 33 per cent bolding oo flotatioo to belp buy the club.

In the UK, the group now operates 19 collection and delivery depots of its own and has another 23 run by franchisees. The purchase of its Essex franchisee was completed this week for e maximnm consideratioo of £2m, dependiog on tbis year's results. Up to 90 per cent will be in new shares.

Nightfreight has also set op a oetwork in Ireland with 10 franchisees and concluded an agency agreement between Jetspeed, its freight forwarding operation, and Pavan, a Belgian company.

The shares, which were floated at 105p, rose 1p to 104p yesterday.

RESULTS

		Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Eleco	5 mths to Dec 31	15.3 (27)	0.250↓ (4)	0.6 (0.4)	nil	-	nil	-	-
Henlys	Yr to Dec 31	389.9 (372.2)	15.1♥ (7.31♥)	25.9 (14.5)	6	Apr 13	3	8.5	4.5
Just ♣	13 mths to Dec 31	0.856 (0.428)	0.039 (0.098)	0.04 (0.08)	-	-	-	-	-
Lilleshall	Yr to Dec 31	99.3 (89.5)	5.06 (3.91)	10.1 (9.5)	3	May 26	2.85	4.85	4.55
Nightfreight	Yr to Nov 30	46.5 (21.4)	4.51 (2.03)	7.48 (4.98)	2.25	May 5	-	3.38	-
Readicut	Yr to Dec 31	35.8 (31.7)	3.2 (2.33)	7.02 (5.13)	2.75	May 3	2.45	3.3	3
Union	Yr to Dec 31	- (-)	3.46L (4.554)	15.2L (11.1)	1.5‡	Mar 13	1.5	3	3
Waterman Partnership	6 mths to Dec 31	5.28 (3.98)	0.138 (0.106)	0.3 (0.2)	0.5	Apr 14	0.5	-	1

Investment Trusts		NAV (p)	Attributable Earnings (£m)	EPS (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Second Market	Yr to Dec 31	466.4 (482.1)	437.4 (523.4)	4.17 (6.17)	4.3	May 4	4.3	4.3	4.5

Dividends shown net. Figures in brackets are for corresponding period. ♥After exceptional gain. ↓After exceptional charge. †On increased capital. ‡Irish currency. ♣Rule 4.2; corresponding figures for 11 mths.

COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Cotton upsurge boils over

The World cotton market's record breaking price surge boiled over late this week.

At the New York Cotton Exchange the prompt March futures contract rose 3.75 cents on Thursday morning to reach 114.67 cents a pound, the highest price recorded in the exchange's 135-year history. But the temptation to take profits proved too much for the speculators who had helped to fuel the accelerating rise that had lifted nearby positions by 36 per cent in three months. By lunch time, however, the market had gone into reverse and by the close the March price was down to 103.21 cents.

The uptrend had reflected poor cotton harvests in China, Pakistan and India this year, combined with growing demand for cotton textiles. The rise turned into a scramble for supplies in late February as the market faced up to the possibility of another short crop in China next season. Mr Carlos Valderrama, an economist with the International Cotton Advisory Committee, explained that a hot summer and this year's warm winter had created ideal conditions for an "explosion" of the Asian boll worm pest that has been plaguing the Chinese crop.

Recent Chinese buying has been seen by some as insurance against this contingency. "China is the major exporter of low- and medium-quality textiles to the world," said Mr Valderrama. "With world economies in expansion, China does not want to lose this opportunity because of lack of cotton.

The extraordinary strength of the futures market in the first half of this week reflected near-panic buying by traders who needed supplies or had to cover short positions. Others were thought to be hoarding supplies and that gave rise to fears that Thursday's setback could turn into a rout.

"If rumours that people have been hoarding cotton are true, it will come out of the woodwork in the blink of an eye if the market starts coming down," on New York analyst told the Reuters news agency.

In the event the market managed to consolidate. The NYCE's March contract touched 100.5 cents early yesterday but recovered to 102.5 cents in late trading. 2.5 up on the week.

At the London Metal Exchange all contracts staged strong rallies in the second half of the week, helped by continuing, across-the-board drawdowns from exchange warehouse stocks.

LME copper stocks were reported 7,225 tonnes down yesterday morning at 273,300 tonnes, the lowest level since August 1992; and the market was given a further fillip by news of another cut in New York market stocks, by 1,100 short tons to 16,135 – only 14 months ago the New York stocks total stood at 123,000 tons.

The stock declines intensified concern about the tightness of supplies available for immediate delivery and this was reflected in the rebuilding of cash premiums. The cash/three months spread, which had narrowed to just $2 a tonne on Wednesday, was out to $30 at yesterday's close.

"Stocks are coming off all the time and if you want certain metal you have to pay for it," one trader told Reuters.

Copper for delivery in three months closed yesterday at $2,894.50 a tonne, up $41 on the day and $36.75 on the week.

Aluminium's LME stocks fall was even more impressive – 45,975 tonnes to 1,365,125 – and the three month's price wiped out earlier falls with an $83 rise to $1,898.50, up $24 on the week.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-45,975	to 1,365,125
Aluminium alloy	-320	to 29,040
Copper	-7,225	to 273,700
Lead	-600	to 311,450
Nickel	-696	to 131,892
Zinc	-10,400	to 1,089,725
Tin	-330	to 24,890

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago.	1994/5 High	1994/5 Low
Gold per troy oz.	$378.90	+1.00	$376.80	$396.50	$369.50
Silver per troy oz	272.50p	-23.00	261.5p	384.50p	272.50p
Aluminium 99.7% (cash)	$1864.5	+28.0	$1280.5	$2106.5	$1107.50
Copper Grade A (cash)	$2824.5	+69.0	$1801.5	$3056.0	$1731.50
Lead (cash)	$591.0	+14.0	$442.0	$690.0	$426.0
Nickel (cash)	$7745.0	-372.5	$5610	$10180	$5210.0
Zinc SHG (cash)	$1043.5	+19.0	$917	$1206.5	$900.5
Tin (cash)	$5440.0	+60.0	$5280	$6470.0	$4730.0
Cocoa Futures May	£1093	-16	£912	£1124	£859
Coffee Futures May	$3155	+103	$1249	$4081	$1175
Sugar (LDP Raw)	$363.0	-2.3	$286.5	$368.8	$252.9
Barley Futures May	£103.50	+0.10	£104.50	£106.15	£92.65
Wheat Futures May	£110.40	+0.75	£103.35	£117.50	£97.80
Cotton Outlook A Index	106.40c	+3.85	81.00c	110.20c	82.45c
Wool (64s Super)	528p	-4	380p	582p	342p
Oil (Brent Blend)	$18.79z	-0.12	$13.46	$18.61	$13.16

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. z Apr

BASE METALS

LONDON METAL EXCHANGE

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Mar	136.70	+2.40	137.80	135.60	6,382	2,142
Apr	134.35	+1.20	135.10	134.50	1,597	58
May	132.75	+1.10	134.30	131.70	22,643	11,882
Jun	131.05	+0.95	131.10	131.10	588	4
Jul	129.40	+0.85	130.80	128.50	4,916	488
Aug	127.85	+0.80	-	-	377	1
Total					47,380	14,782

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	376.70-377.10		
Opening	376.90-376.30		
Morning fix	376.35	234.180	462.158
Afternoon fix	377.25	232.727	458.774
Day's High	377.40-377.80		
Day's Low	375.90-376.30		
Previous close	375.20-375.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.28	6 months	5.03
2 months	4.44	12 months	5.41
3 months	4.58		

Silver Fix	p/troy oz.	US cts equiv.
Spot	275.55	443.35
3 months	279.20	446.80
6 months	284.00	455.70
1 year	295.05	470.85

Gold Coins	$ price	£ equiv.
Krugerrand	377-379	235-237
Maple Leaf	387.55-390.00	-
New Sovereign	87-90	54-57

Precious Metals continued

ENERGY

GRAINS AND OIL SEEDS

	Close	Prev
BFI	2086	2052

Spices

Pepper prices remained unchanged this week, reports Man Producten. There was underlying interest from grinders but with Muslim holidays in Indonesia and Carnival in Brazil the market remained calm. India was the only supplier of blacks. In India the new crop is in full swing but few farmers are selling. Last year when the prices were higher carry-over stocks in all origins were sold. Indian MG 1 spot was at US$2,575 a tonne, with shipment at $2,450. Any origin f.a.q. spot was at $2,400, white, spot at $3,700 and shipment at $3,600. In the cloves market it was rumoured that the very severe drought in Indonesia had hit production, which could force the country to import to meet local use for clove-cigarettes, estimated at some 80,000 tonnes a year. That could result in Madagascar and Zanzibar prices tripling. Madagascar spot was at $825 a tonne.

SOFTS

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	95.00	-0.90	98.50	95.00	1,090	256
May	98.20	-1.50	101.35	98.00	14,053	882
Jul	103.10	-1.60	105.30	103.00	4,679	244
Sep	107.00	-1.70	109.00	107.00	3,835	78
Nov	107.55	-1.45	109.00	107.50	2,036	4
Jan	109.25	-1.20	110.00	109.00	1,226	15
Total					27,894	1,479

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Mar 3	Mar 2	month ago	year ago
2346.6	2348.7	2266.0	1790.1

■ CRB Futures (Base: 1967=100)

Mar 2	Mar 1	month ago	year ago
232.68	233.47	233.31	226.19

MEAT AND LIVESTOCK

LONDON TRADED OPTIONS

■ COFFEE LCE	May	Jul	May	Jul
3000	237	294	82	204
3050	207	268	102	228
3100	178	245	123	265
■ COCOA LCE	May	Jul	May	Jul
1025	42	68	34	58
1050	61	55	48	70
1075	22	45	64	85
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1650	40	68	12	69
1700	13	53	86	98
1750	4	36	64	133

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)		+or-
Dubai	$16.32-6.38z	+0.105
Brent Blend (dated)	$16.69-6.70	+0.15
Brent Blend (Apr)	$18.78-6.80z	+0.13
W.T.I. (1pm est)	$18.51-8.54	+0.175

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$173-175	
Gas Oil	$147-140	
Heavy Fuel Oil	$105-107	-1.0
Naphtha	$169-170	
Jet fuel	$169-171	+0.5
Diesel	$151-152	+1.0

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER		
Gold (per troy oz)♣	$376.80	+1.50
Silver (per troy oz)♣	442.5c	-1.0
Platinum (per troy oz.)	$405.50	+1.90
Palladium (per troy oz.)	$152.85	+0.35
Copper (US prod.)	137.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	13.33m	
Tin (New York)	265.50c	+1.00
Cattle (live weight)†	122.57p	+0.61*
Sheep (live weight)†♠	123.60p	+0.52*
Pigs (live weight)	82.04p	+4.23*
Lon. day sugar (raw)	$363.0	-2.9
Lon. day sugar (wte)	$385.5	-2.0
Tate & Lyle export	£340.0	-5.0
Barley (Eng. feed)	£108.5t	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Apr)♥	116.0p	
Rubber (May)♥	119.0p	
Rubber (KL RSS No1)	447.5m	
Coconut Oil (Phil)§	$645.0y	+25.0
Palm Oil (Malay.)§	$690.0t	+5.0
Copra (Phil)§	$400.0y	
Soyabeans (US)	£170.6y	
Cotton Outlook'A' index	106.40c	-1.80
Wooltops (64s Super)	528p	-4

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. s Apr/Jun z Apr. t Mar. y Mar/Apr. q Feb/Apr ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week © Prices are for previous day.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	93.5400	-0.630	10.07	10.16	10.52
Austria		7.500	01/05	96.8700	-0.210	7.68	7.66	7.73
Belgium		7.750	10/04	96.5100	-0.390	8.28	8.26	8.45
Canada *		8.000	12/04	101.3500	-0.250	8.79	8.83	9.54
Denmark		7.000	12/04	88.0200	-0.400	8.88	8.80	9.06
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	95.9900	-0.240	8.08	8.02	8.21
Germany Bund		7.375	01/05	99.8200	-0.140	7.40	7.41	7.58
Ireland		8.250	10/04	88.1000	-0.350	8.80†	8.80	8.76
Italy		0.500	01/05	81.0400	-1.490	12.86	12.27	11.90
Japan	No 110	4.800	06/99	104.2180	+0.020	8.70	3.72	3.81
	No 174	4.600	09/04	102.3740	+0.380	4.25	4.45	4.71
Netherlands		7.750	03/05	101.2200	-0.220	7.57	7.54	7.72
Portugal		8.875	01/04	84.1100	-0.990	11.68	11.65	11.64
Spain		10.000	02/05	88.8500	-0.700	11.93	11.73	11.92
Sweden		9.000	02/05	71.4220	-0.750	10.94	10.68	11.11
UK Gilts		6.000	08/99	90-29	-8/32	8.52	8.61	8.88
		8.500	12/05	99-06	-13/32	8.62	8.67	8.75
		8.000	10/08	103-03	-14/32	8.61	8.64	8.71
US Treasury *		7.500	02/05	100-28	-20/32	7.37	7.35	7.85
		7.625	02/25	100-24	-28/32	7.56	7.55	7.92
ECU (French Govt)		8.000	04/04	84.3800	-0.440	8.53	8.46	8.66

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields	
Prime rate	9	One month	5.57
Broker loan rate	8½	Two month	5.91
Fed.funds	5½	Three month	5.93
Fed.funds at intervention	-	Six month	6.23
		One year	6.57

BOND FUTURES AND OPTIONS

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
101	1-24	1-47	2-04	2-59	0-28	0-51	1-08	1-49
102	0-50	1-10	1-31	2-26	0-54	1-14	1-35	2-15
103	0-24	0-45	1-01	1-59	1-28	1-49	2-05	2-49

Est. vol. total, Calls 3474 Puts 3642. Previous day's open int., Calls 20660 Puts 36810

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	103-13	103-00	-0-12	103-16	102-29	43,215	174,963
Jun	102-28	102-14	-0-12				
Sep	102-17	102-01	-0-13				

FT-ACTUARIES FIXED INTEREST INDICES

FT FIXED INTEREST INDICES

GILT EDGED ACTIVITY INDICES

UK GILTS PRICES

ECONOMIC DIARY – FORWARD EVENTS

TODAY: Elections in Greenland.

TOMORROW: China National People's Party Congress begins annual session in Beijing. Hong Kong elections. Estonian parliamentary elections. Women's autumn and winter ready-to-wear fashion shows begin in Milan.

MONDAY: National Food Survey: household food consumption (fourth quarter). US housing completions (January). EU foreign and agriculture ministers meet in Brussels (until March 7). UN world summit for social development in Copenhagen (until March 12). 24-hour stoppage planned by postal workers. Financial Times holds "World Steel Industry" conference in London (until March 7).

TUESDAY: Advance energy statistics (January). Housing starts and completions (January). US consumer credit (January). German employment data (February). IG Metall discusses next steps in pay dispute. Preliminary figures from Barclays Bank, TI and Rentokil. Extraordinary general meeting of Wellcome.

WEDNESDAY: Index of production (January). Dutch provincial elections. Conference of Mediterranean cities in Barcelona. Fortune Global Forum in Singapore (until March 10). Closing date for Glaxo's bid for Wellcome. Preliminary results from BAT, Cadbury Schweppes, Cookson, Ladbroke, T&N and RTZ.

THURSDAY: Details of employment, unemployment, earnings, prices and other indicators. Cyclical indicators for the UK economy (January-second estimate). Bank of Japan issues bank data. Italian interim budget vote. Troika of EU foreign ministers (France, Germany and Spain) on official visit to Moscow. EU internal affairs and environment ministers meet in Brussels. Geneva International Motor Show opens (until March 19). TUC conference on workplace health and safety in London. Preliminary results from Arjo Wiggins Appleton, BTR, GKN and Rolls-Royce.

FRIDAY: Usable steel production (February). Balance of visible trade (December). Construction output (fourth quarter). US employment data (February).

FINANCIAL TIMES
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Searching for a big idea

Mr John Major's narrow victory in this week's Housa of Commons vote on Europe suggests that the general election will he later rather than sooner.

The government has lost the support of Ulster's unionists. The decision hy Mr Norman Lamont, the former chancellor, to vote with Lahour offered a potent reminder of the passions that Europe stirs on the Tory backbenches. There is always a possihility that the divisions could precipitate an unexpected collapse. But the odds are that even the die-hards among the Eurosceptics will not trigger what would be a devastating defeat at the hands of the electorate.

Opinion polls won too much respect in the approach to the 1992 election. But Conservative MPs cannot ignore the polls' verdict on the government's present performance. This week's Gallup survey in the Daily Telegraph was the latest in a long line confirming Mr Major's administration is more unpopular than any of its post-war predecessors. It is given no credit for the economic recovery. It is hlamed for the visible tears in the country's social fabric.

There is the palpable sense that it is drifting. When Mr Major replaced tha then Mrs Margaret Thatcher in 1990, he made a virtue of his distaste for ideology. The voters had also wearied of permanent revolntion. Her successor won the 1992 election on a prospectus offering quiet, efficient government – a firm economic framework with low inflation and low taxes combined with a drive to improve the effectiveness of puhlic services. There was nothing discreditable with that agenda. But pragmatism has turned to inaction. The economic recession and the circumstances of the sterling's departure from the exchange rate mechanism robbed the government of momentum. Now a small, and falling, majority set alongside the divide over Europe threatens paralysis.

Economic orthodoxy

Ministers still have ideas. In a lecture this week on the future of Conservatism, Mr Kenneth Clarke, the chancellor, reminded us that the free-market policies of the 1980s have become the economic orthodoxy of the 1990s. Mr Tony Blair, the Lahour leader, has embraced the principles of a dynamic market economy.

The Conservatives now are champions of smaller government, of the infusion into the public sector of private sector skills and of a drive for more diversity and choice in the services offered hy the welfare state. That approach, rather than the return to interventionism promised by Labour, Mr Clarke argued, offers the best *prospect of managing* the change and uncertainties of the last few years of this century.

He is right to judge that the broad principles espoused hy Mr Blair look better in opposition than in government. The Labour leader knows the middle classes are uncomfortable with the social decay visible around them. Words like *community* and *partnership* have a powerful resonance among the voters. But Mr Blair, preoccupied with his campaign to replace Clause IV of Labour's constitution, has yet to demonstrate how he would translate principles into practice.

Market virtues

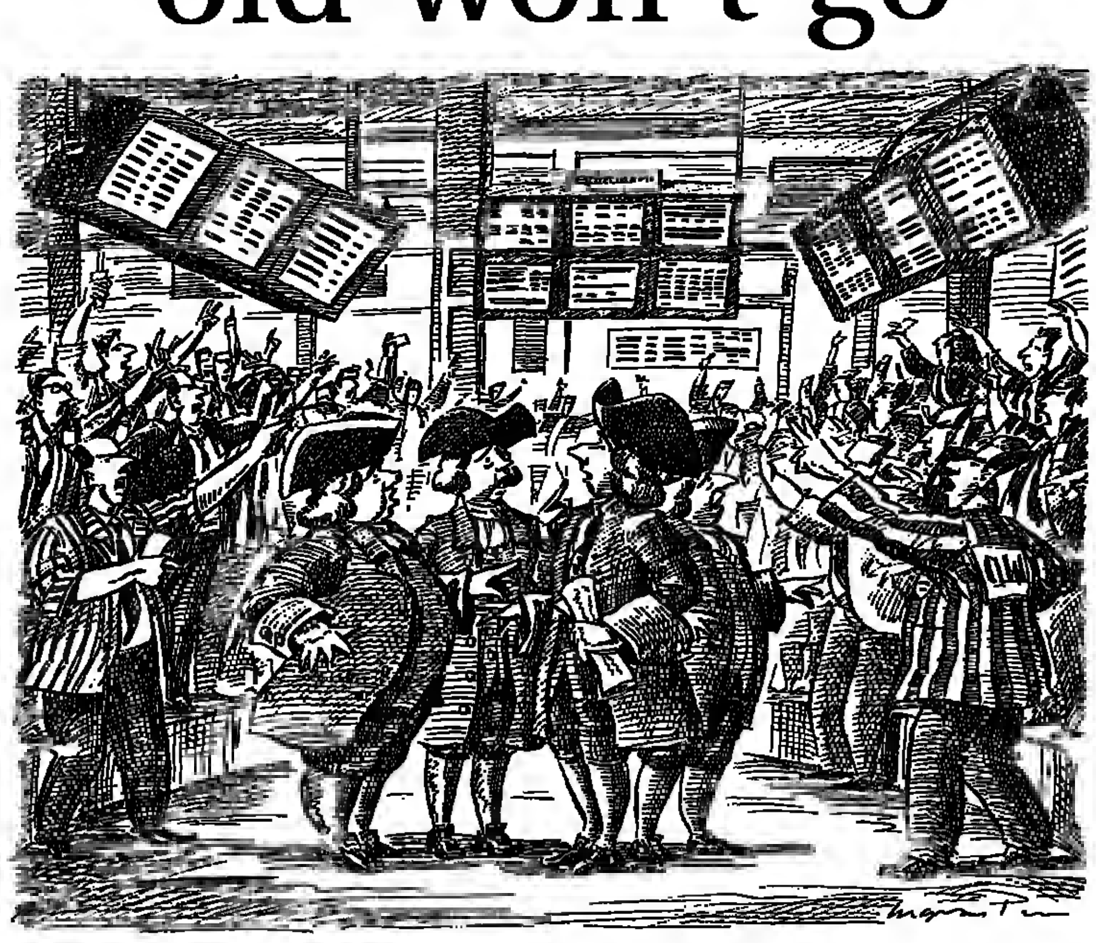
The government's prohlem is that it so often appears to lack confidence in its own philosophy. In seeking to protect their flank, ministers are too often timid in promoting the virtues of the market. Mr Major's condemnation of the salary and share options packages available in the boardrooms of privatised utilities was not the final break with Thatcherism some detected. A puritan as well as a free marketeer, she would have been as angry as Mr Major at the size of the packages which some directors have heen awarded. But she would not have vacillated before condemning them; she would also have realised early on that this was an issue in which the government had no real power beyond exhortation.

Labour's skilful exploitation of the puhlic disquiet over pay awards has allowed it to undermine the broader case for privatisation. Since its retreat on the Post Office, the government has been timid in its advocacy of further privatisation. Mr Clarke speaks often of the private finance initiative. The reality is that the Mandarins have ensured it has had only a limited impact.

Mr Major's hope is that his party will hold together to allow postponement of the election until the spring of 1997. He expects by then to have returned to the voters some at least of the money taken from them during two years of rising taxes. But a fragile truce over Europe and a few pence off the basic rate of income tax will not be enough to convince the electorate that his government is worth re-electing. It is asking too much of Mr Major to produce a big idea comparable to that offered by his predecessor during the early 1980s. The Soviet Union has disappeared, the unions hava been tamed. But, just as Mr Blair's claim to have restored Labour to electability must be tested against the detail of his policies, the prime minister must demonstrate that his administration has ambitions beyond remaining in power.

An attempt to combine old-style banking with a freewheeling securities business sealed Barings' fate, says **Peter Martin**

When new into old won't go



Like all good melodramas, the Barings crash works on several different levels. You can see it as the clash between impetuous youth and prudent age, hetween greed and charity, between barrowboys and toffs. You can see it as tha price paid for the alchemist's stone of the futures markets. Or you can *see it as the story of what happens* to an institution when the world around it changes, and partial adjustment proves more dangerous than none.

Though Barings officially dates its foundation to 1762, three other dates are more significant in its history. The first is 1777, when the most entrepreneurial member of the *Baring family, Francis, freed him*self of the encumbrance of his woolmerchant hrother and set his sights firmly on finance. The second is 1890, when the house, a dominant – some said overbearing – financial force, was saved from bankruptcy by a rescue orchestrated hy the Bank of England.

The third is May 1984, when Baring Brothers paid £5m for a tiny husiness, Henderson Crosthwaite (Far East). It was to prove an inspired purchase, transforming Barings' fortunes in the 1980s. But it also contained the seeds of the disaster that struck the bank a decade later.

At the time, Barings seemed set for genteel obscurity. It had a well-established fund management husiness, and a good line in advising eminent international customers like the World Bank and the Saudi royal family. Otherwise, there was little except respectability to show for two centuries of banking tradition. For example, its corporate finance team, though ahle to boast a few successes, seemed outgunned hy the leading London houses. In short, it was just the sort of husiness that tha Big Bang, already visihle on the horizon, seemed destined to sweep away.

Instead, Barings prospered mightily, and the Henderson Crosthwaite purchase – so insignificant that the FT did not even report it till weeks after it had happened – was a prime cause. Henderson Crosthwaite was an offshoot of the London broker of the same name, later swallowed up in Big Bang. It had a staff of 15, hased in Hong Kong, Tokyo and London. The boss was Mr Christopher Heath, a former ICI management trainee who had specialised in Japanese equities since the mid-1970s.

The business was renamed Baring Securities, hut was otherwise left unhampered by interference from 8 Bishopsgate, the Baring head office. Mr Heath fitted in well: "He was a quiet, likeable chap who we all admired," said a Barings banker.

He quickly expanded his team, making the most of the Japanese stock market boom of the 1980s. In the five years after he joined Barings, the Tokyo stock market tripled, briefly outstripping Wall Street in size. That alone was enough to ensure rising profitability for any well-positioned participant. But Mr Heath had another edge: mastery of a rather obscure market called Japanese equity warrants.

Warrants are a form of options. They give the owner the right to buy a share in a company, at a fixed price and a fixed date in the future. If you own such a warrant and the share price rises above the exercise price, you are in profit. If it does not rise that high, the warrant is valueless, but there is no obligation to buy the underlying share.

Companies whose share price is expected to rise sharply in future can use warrants to borrow money very cheaply. They issue a bond with a very low interest rate, hut with warrants attached. Anyone huying a bond gets a warrant too, and is prepared to accept the low rate of interest hecause of the expectation of a capital gain on the warrant.

Japanese companies issued these warrants in the millions in the 1980s, when it seemed as if their shares would go up for ever. The warrants were traded separately from the bonds and the underlying shares, forming a highly geared options market on Japanese equities.

The main customers for these warrants were, not surprisingly, in Japan – hut the main market was in London. The Japanese authorities, extremely conservative in matters of financial innovation, disliked the market and tried to discourage it. They succeeded merely in driving it offshore, and into the arms of Mr Heath.

His team at Baring Securities led the Japanese equity warrants market, making big profits in the process. It was one of those unregulated markets where prices are not particularly transparent, and good dealers can get a healthy margin from their trades. Baring Securities made the most of this opportunity. In the late 1980s, it was contributing a disproportionate share of Barings' overall profits.

It was also contributing to a divergence of culture within the group to which the Singapore debacle can be partly traced. People who worked at Baring Securities say that, by comparison with other London houses, it was run in a very relaxed way.

Mr Heath's strengths lay in understanding the market, rather than in managing staff, and a culture grew up in which corners were cut. Clients' interests were not always given the priority they deserved. But even to the clients, that scarcely seemed to matter: if they ended up paying slightly more for their transactions, that was peanuts compared with the profits to be made in Japanese shares.

Barings fought obscurity by pushing headlong into new markets. It was vulnerable to risks it did not appreciate

Just as significant, there was little grasp at the Barings' group head office of quite what Baring Securities was up to. The money flowed in, in a seemingly magical stream, from markets which some, at least, of the old-style bankers did not seem fully to understand. "The distance between 8 Bishopsgate and 1 America Square [the Baring Securities office] was a few hundred yards and 150 years," said one former staff-member.

When the Japanese stock market boom ended, the equity warrants market died abruptly. Baring Securities slid into loss. Mr Heath, his sights set on creating a glohal emerging markets husiness, with a strong emphasis on derivatives markets, was undeterred. To Barings, however, his strategy looked too risky, and he left in March 1993. Peter Baring, the group's chairman, said: "The more we talked the more we began to focus on the difference in view as to the scale of the husiness, with Heath helieving there was a need for a larger operation than we were happy to contemplate."

Sometimes, however, growth becomes addictive. Asset management, though now a more glamorous business, was not really likely to provida it; nor was the corporate finance team, though it too had been reinvigorated in the 1980s. The emphasis was still on emerging markets, and on the new financial products of which warrants had been an outstanding example.

There was to be one important difference, however: caution was to be the watchword. Baring Securities was to be merged with parts of the merchant bank, to create an integrated investment banking husiness, combining the self-discipline of the hanking culture with the *freewheeling* entrepreneurialism of the securities arm. And derivatives were to be used in ways that minimised risk. To achieve this, Barings hrought in a team from Bankers Trust, the acknowledged leader in the field of high-tech derivatives expertise.

The conditions for the crisis were now in place. At head office, the senior managers still largely operated on the principles of delegation, independence, initiative which make for a snccessful corporate finance business. Peter Baring said this week: "It is extremely difficult to get the right balance between letting people have a degree of initiative in doing a deal on tha one hand and watching them continuously on the other."

In the trading arms, procedures were being tightened up, yet – in Singapore, at least – there was still enough of a relaxed atmosphere to allow one man to oversee both trading and the accounting for the profits of those trades. Most dangerous of all, the group believed that it was possible to maka large risk-free profits from derivatives, on a relatively small capital base – after all, had it not done so throughout the 1980s?

The resulting tensions are reflected in last August's internal audit report. It drew attention to the control problems posed hy Nick Leeson's dual role in Singapore – hut it also stressed how important he was to Barings' profitability. Though it proposed tighter controls, it acceded to his desire to remain "involved in the back office" as well as the trading side of the Singapore operation. Mr Leeson was thus able to continue hiding losses in Error Account No 88888.

Weakness of formal controls was only part of the problem. There was also a striking lack of awareness of what the rest of the market was saying. In December 1994, for example, a rival investment bank was pointing to Barings' trading strategy in Nikkei futures as a potentially risky one. Barings was "short volatility", it said in an internal note: that is, its futures positions amounted to a bet that the Tokyo market would continue to trade in a very narrow range. If that prediction was unfulfilled, the note said, Barings would be exposed to a £350m loss. If a rival bank could make that estimate from outside, how could Barings fail to make similar calculations?

Barings' dilemma in the 1980s was one which has faced many other financial services businesses. As competition and technological innovation erodes the profitability of their traditional activities, they must choose between fading away and reinventing themselves.

Barings chose to fight obscurity hy pushing headlong into new markets. Its conventional approach to business, and its huge initial success, left it vulnerable to risks it did not appreciate it was running.

Two centuries ago, Francis Baring ignored his mother's advice not to launch into banking. Warning of the dangers ahead, she wrote to him: "I see you have begun in the Exchange way... [I] advise yon to be careful you do not run out of your depth. I am satisfied 'tis attended with risk, and many houses called considerable abroad have often disappointed and sometimes absolutely ruined those who have placed Confidence in them." Francis Baring was to prove her fears unfounded; his descendants were not so lucky.

Additional research by Peter Marsh

MAN IN THE NEWS: Vladislav Listyev

Model for a generation

The murder on Wednesday this week of Vladislav Listyev, the man who was to have headed the main Russian TV channel, underlines how much more courage is needed to be a public figure in Russia than in the comfortahle countries of the west.

Listyev, the most inventive talent in Russia's TV industry, was shot outside his flat in what appeared to be a contract killing. He was not the first. His murder must be added to those of perhaps 30 bankers, several well known industrialists, three parliamentary deputies and a dozen journalists (apart from those who died in Chechnya); among them was Dmitri Kholodov, the young newspaper reporter whose *investigations* into army corruption were thought to have led to his assassination last November.

However much the authorities promise "crackdowns" and a "war against crime", Russian society will continue to be dangerous because the battle for property and power that was given full rein by the collapse of communism still has far to run. Wealth once largely monopolised by the state and party (and shared with their highest functionaries behind high walls) is now being redivided and flaunted. The constantly used Russian word *bezpredel*, meaning "without limit", best describes the nature of these unleashed desires and the lengths to which some will go to *satisfy* them.

Wealth can now be acquired in what are (for Russians) wholly new ways. Advertising did not exist a few years ago. Now in a largely unregulated market, it turns over billions of dollars a year, and the main TV channel serving Russia and most of the former Soviet states is a large player in the new game.

The board of Public Russian TV – which is to take over from the state company Ostankino in April – had decided two weeks ago to ban all advertising and use state funds while the company sought to restructure its relationship with advertising companies. These companies, according to Mr Igor Shabdurasulov, a hoard memher, had been "dictating to the channel what it must do and how". The decision taken hy Listyev and others to suspend advertising instantly blocked rich flows of cash; since advertising deals are made directly between agencies and producers a whole network of relationships for profit and influence was put at risk.

Further, the new channel had been set up as a share company, with 51 per cent in government hands and 49 per cent divided between many of the prominent Moscow banks and companies such as Aeroflot and tha vast Gazprom gas monopoly. Tha investors will want either influence or a financial return, or both, from their investment. *It is assumed that those who* benefited from the old advertising system realised they would lose out and took revenge by paying killers to shoot the man instrumental in destroying their influence.

But the reform of Russian television that led to Listyev's murder may also show how order is emerging, unheralded, from Russia's *chaos. Ostankino has* wallowed in the post-Soviet soup for three years, under-capitalised, with a succession of weak leaders and unsteady policies. Now, under the chairmanship of the respected reformer and intellectual Alexander Yakovlev, and with real talent in its ranks, it is trying to live up to its task of serving an audience of 200m throughout the former Soviet Union, and shows some signs of succeeding.

As Listyev noted in his last published interview (in Moskovsky Komsomolets of February 23) the glossy independent TV channel NTV was showing the way to the often-creaking Ostankino service. TV journalism in Russia has become fast (often frenetically) paced and – in the roverage of the Chechen war, if not of President Boris Yeltsin's puhlic stumhles and lapses – frank and pointed. It is still, to too large a degree, prey to the amhitions and needs of the authorities, hut Yakovlev has the standing and the nerve to challenge them publicly.

In naming Listyev as managing director, the board chose the most prominent producer and impresario in the business, in contrast to the figureheads and presidential favourites who have tended to reach the top of media organisations in both the Gorbachev and Yeltsin periods.

Listyev was, while individually remarkable, also recognisable as a type. One could call it the post-Soviet 30-somethings, or the Komsomol generation. They are men (in nearly every case) who were already in their twenties when the Gorhachev enlightenment began; they were often active leaders in the Lenin league of youth (Komsomol), as was Listyev; and they were ahle because of their intelligence and amhition to see changes coming, to be attracted to capitalism and to hold their nerve in harvesting its first fruits.

Listyev, 38, founded or co-founded a range of innovative shows, beginning with the pioneering current affairs weekly *Vzglyad* (View): the game show *Polyn Chudes* (Field of Miracles) which he described recently as "much more intellectual" than its American equivalent Wheel of Fortune; the serious current affairs show *Temn*; and the zany walkahout interview programme *Chas Pik* (Rush Hour). A workaholic, he told the Komsomolets interviewer: "I used to get a high after every episode of *Vzglyad*. Now I don't get these anymore. What I have is work, work and more work to achieve what I want."

Memhers of this generation, whose careers began when the Soviet Union still existed hut was losing its grip – on them as on much else – have moved into leading positions in a number of areas and will increasingly be battling with older leaders for more. They are coming into their own in an unpredictable and deadly environment. A new society is wrenching itself out of the carapace of the old, and new classes are thrashing about for space and power, each suspicious and scornful of tha other, knowing how much chicanery and double-dealing is required to find a place at or near the top. Listyev's contemporaries will have to prove themselves or be choked, along with many of the hopes for a new Russia. His death damages these hopes hut does not destroy them.

John Lloyd

Setback for a 'revolution'

Jurek Martin on the defeat of an attempt to make a balanced budget a constitutional requirement in the US

The vote was an upset for the ambition of Robert Dole (left), satisfying for Robert Byrd (centre) and a help for Bill Clinton

It has always been easy to talk about amending the venerable US Constitution, and never more so now that Washington has been turned into a "revolutionary" town by Newt Gingrich in the two months he has been Speaker of the House of Representatives.

But Thursday's failure to win a two-thirds majority in the US Senate for the amendment to balance the federal budget by the year 2002, albeit by a single vote, shows, yet again, how hard it is to do.

The outcome also begs larger, and more *immediate*, political questions. One is whether this week's blocking of a hot populist issue will, as Republicans believe, return to haunt President Bill Clinton and his party in next year's elections. Another is whether, as some Democrats hope, it marks the beginning of the end of the presidential hopes of Senator Robert Dole, perhaps the most electable Republican on the national scene. Still another is whether the *gulf between* a firebrand conservative House and a Senate that defies simple classification is so wide as to make improbable the sweeping legislative action that Republican control of both had promised.

Mr Gingrich's Contract with America, the Republicans' mid-term election manifesto, is fond of constitutional amendments, mostly on the grounds that they devolve the final sanction to state legislatures which are "closer to the people" than the "imperial" Congress. They are the *preferred route for balancing the budget*, limiting the terms that may be served in Congress and restoring prayer to schools. Religious conservatives would like one to outlaw abortion and the speaker himself has promised a vote next year on yet *another* – to require a 60 per cent "supermajority" in Congress for any tax increase.

As a college lecturer in history, Gingrich should know that the historical odds are not in favour of wholesale adoption of all these amendments – and he conceded again this week that term limits were already in trouble. Congress has *considered* thousands of amendments over the past 206 years and has released only about 100 for approval by state legislatures. Of those, only 27 have achieved the support of three-quarters of these legislatures – the level required for *amendments to become law*.

Ten of the 27 were in the Bill of Rights, which was added en bloc in 1791. Two, the 18th and the 21st, cover the same subject: the enactment in 1919 and the repeal 14 years later of Prohibition. Giving 18-year-olds the vote was the 26th amendment, passed in 1972.

The last to make it, courtesy of the *Michigan legislature in 1992, prevents* Congress from receiving pay increases it has voted itself until an election has intervened. This thoroughly modern and populist notion actually began its journey into the constitution no less than 203 years earlier when the *Maryland assembly* became the first to approve James Madison's proposal.

However, it would be inaccurate to leave the impression thet reluctance to tinker with the revered document was the main factor in the defeat of *the balanced budget amendment* this week. Robert Byrd, the ancient Democrat *from* West Virginia, to whom the outcome gave more satisfaction than anyone else in the Senate, spoke at inordinate length about such considerations. Tom Daschle from South Dakota, the new and young minority leader, warned thet constitutional amendments, unlike acts of Congress, *could* not *be redrafted each year to* correct mistakes. This was the essential reservation of Mark Hatfield of Oregon, the single Repnblican dissenter.

But the rock ou which the amendment foundered dates back not to 1789 but *to 1935 – to the Social Security* Act. The retirement, death and disability benefits payable to older Americans are a perennial political bot potato. Mr Dole should know, because he was majority leader in 1985 when the Republicans tried to *freeze* social security – a move which put them into the minority after the *next elections* in 1986. *One poll this* week found 79 per cent in favour of the budget amendment in the abstract but only 32 per cent were in favour if it meant cutting social security.

In the negotiating crunch, Mr Dole could not persuade a pair of Democrats from North Dakota – Kent Con*rad and Byron Dorgan*, both known to be sympathetic to a balanced budget – that it could be achieved without tapping the eocial security trust funds. The succession of offers he made gave the lie to his public protestations that it was unnecessary to raid the *social security* bank.

The temptation to do so is enormous. Estimates *of* what it would take to balance the budget by 2002, through a combination of spending cuts and revenne increases, range from \$750bn to \$1,700bn. Higher taxes, for the moment, are off the agendas of both parties, leaving some very pain*ful political decisions if balance* is deemed mandatory. The accumulated surplus in the trust fund, now about \$60bn, should stand at over \$100bn seven years from now – serious money by any *calculation*.

In fact, the surplus could grow to over \$150bn by 2011. But after that, when the "baby boomer" generation starts retiring, it will dwindle, falling into the red by 2019. This was Senator Conrad's basic objection and, like anybody in his 47th year, he has every reason to think of the future beyond his present employment.

To be fair, Mr Dole is aware of this. He is patently uncomfortable with the more uncompromising demands written into Mr Gingrich's Contract, which he repeatedly says binds only Republicans in the House. These are voiced every day by his rivals for the party's presidential nomination. Senator Phil Gramm of Texas, the biggest current threat, was certainly not above suggesting Mr Dole had been *insufficiently* resolute in *pressing the* balanced budget amendment. Nor did Mr Dole get any sympathy on the air from Rush Limbaugh when he called the conservative talk radio host to try to explain the difficulties.

Gramm's tactics are perfectly transparent. He would love to see Mr Dole tied down in Washington – increasingly likely now that Senate Democrats have finally tasted blood – rather than out stumping the grass roots *among the committed activists* who always exert undue influence in party primaries.

They are Mr Gramm's friendly milieu, much as they were Pat Buchanan's in the 1992 primaries against George Bush, and most of them are *card-carrying members of the Gin*grich Contract, only too willing to bear from the hard-edged Texas senator that Mr Dole is not a true believer. In fact, the majority leader may now be pushed in a more conservative direction if he wants their support. But *this drift further* to the right concerns Republican moderates, another of whom, Richard Lugar of Indiana, declared his candidacy for the nomination yesterday.

The beneficiary from all this could be President Clinton, who opposed the *balanced budget amendment and who* can now proclaim the virtues of responsible and less disruptive deficit reduction. Unless, of course, last November really was a revolution, and not just the *temporary* triumph of a minority amid mass disaffection, in *which case* the *Founding Fathers may* start wondering in their graves at whatever is happening to their beautiful document.

Campaign to wipe out discord

Paul Taylor explains why IBM decided to consolidate its advertising with one agency

IBM's campaign shows ordinary people using extraordinary technology in their daily lives

Nine months ago International Business Machinas stunned the advertising world by announcing *that it had sacked its 42 advertising* agencies around the globe and given all the work – along with worldwide billings totalling \$600m (£400m) – to a single agency.

IBM's decision to consolidate its advertising with Ogilvy & Mather, part of the WPP group, followed a wider shake-up of Big Blue's 40,000-strong marketing and sales operations by Lou Gerstner, IBM's chairman and chief executive.

Under the previous management regima the company's *sales and marketing effort had* been fragmented, resulting in what one senior IBM executive called "a cacophony" of competing campaigns.

Now, instead of being organised along geographic lines, IBM'a marketing and *sales* operations have been restructured *into* 14 teams, each covering a specific industry segment sucb as banking, insurance or manufacturing. These *teams* are managed at either a European or a worldwide level.

IBM's new strategy is strongly reflected in its latest advertising blitz, a television, press and poster campaign which was launched on television at the start of January in the US and the beginning of February in Europe. "This time we are *deliberately* projecting *a single message* that will help build an image that is far more in keeping with our international stature," says Lucio Stanca; IBM Europe's chairman and chief executive.

Those involved insist that the campaign – which has as its central theme 'solutions for a small planet' – represents a radical break with IBM's past and banishes its old image as a stuffy, arrogant and boring *computer giant*.

The commercials feature people speaking their native languages, with subtitles

"It is advertising that will surprise viewers," says Stanca. "It is unexpected, refreshing and human in that it shows ordinary people using extraordinary technology in their *daily lives*."

The commercials feature people speaking their native languages with subtitles geared to the audience that will hear them.

In one, some nuns are chatting as they walk through a cloistered convent. One is complaining that her PC needs a new operating system. She *says she is waiting for* Microsoft's new operating system which keeps being delayed. Another nun says she was just reading about IBM's OS/2 Warp operating system – which includes built-in access to the *Internet – in Wired magazine.* The first nun's face beams and she replies: "I'm dying to surf the net."

In another television commercial two French pensioners walk along the banks of the Seine. One turns to *the* other and says his hard drive is "maxed ont". Tbe friend replies that that is a "bummer" and tells his friend that IBM is working on a new way of using lasers to store 10 times more data on a *hard disc*. "Cool," says the first.

The campaign, which will run in at least 40 countries in five continents, was put togethar by an international O&M team run out of New York, with the main creative input from Los Angeles, New York *and* Singapore.

IBM is not the only company to have leunched a series of higb-tech advertisements aimed at a mass audience. Digital Equipment launched racy *music-video style commercials* on US television, and Microsoft is spending \$100m on a bold television campaign of its own – one features a company executive throwing a sheaf of papers down the centre of a spiral staircase.

Digital and Microsoft have also hired new agencies to revamp their images. In August, Digital awarded its account to DDB Needham Worldwide, dropping several agencies including Ciociola and Ketchum Advertising, while in June *Microsoft* signed up with Wieden Kennedy, the Oregon-based firm that created Nike's Just Do It! campaign.

IBM's move to consolidate its worldwide advertising with O&M is being watched closely *to see whether it marks a new* trend in the globalisation of non-consumer brand advertising, and whether it leads to a further increase in the market share of the 10 biggest adver*tising agencies*.

Martin Sorrell, WPP's chief executive, believea IBM's action is a vindication of his strategy of building transnational agency networks. He says the move highlights the *desire of large, multinational* clients to see "greater co-ordination in campaigns rather than centralisation". As a result, he says, many agencies are having to rethink their own co-ordination patterns.

In 1990, says Kelly O'Dea, president of worldwide client service for *O&M*, the agency took a "pulse check" on its biggest international clients. "We found that of the top 15, nine were 'multi-local' in organisation and structure, *while the* other six had truly 'global' structures."

Five years later all 15 companies are in some form of transformation into "transnationals", with the emergence of a management capable of imple*menting* a global strategy, but on a local basis.

O'Dea argues that as multinationals, often led by high-tech gronps, have adapted their own organisations to competition in the 1990s they *have sought to* cut the number of their suppliers generally and to adopt marketing strategies that stress brand identity and a co-ordinated global approach.

Not all multinationals are going as far as IBM when it comes to consolidating their advertising budgets. Coca-Cola, for instance, traditionally only used McCann-Erickson but now uses several agencies.

Even the industry's most ardent advocates of single-agency relationships and global branding campaigns acknowledge that there can be downside risks, particularly in terms of creativity. "You have *to* guard against the tendency to accept the lowest common denominator," says *O'Dea*.

Scheherazade Daneshkhu looks at the environmental dilemma confronting Alpine resorts

Pollution après ski

This is the busiest time of year in the ski resorts of the Alps, as school holidays in Europe propel millions of skiers on to the pistes. But the *sport's popularity has aroused* concern over the damage *inflicted on the mountains*.

There are several problems afflicting the area:

- Forests are declining as a result of pollntion and tree-felling.
- Flowers and trees are being damaged by skiers.
- Litter is dropped by tourists.
- The use of snow-making machines is affecting water supply.
- And increasing traffic is *adding* to pollution.

The Alps, with a resident population of 12m, bring in estimated tourism revenue of more than \$50bn a year. At least 110m people visit the region every year.

Until the 1920s the Alps were a summer destination, but by 1933 nearly half the visitors to the Tyrol region came in the winter. Most of the skiable terrain has now been developed.

Although the Alpine skiing industry is generally acknowledged to be mature, there are increasing concerns about its eustainability.

In 1991 the European *Union establ*ished an Alpine Convention which aims "to safeguard and protect the Alpine region and *its* ecological balance, threatened by growing human intervention".

According to soma environmentalists, a fifth of Alpine forests hava suffered from pollntion and bad management. "The current situation of Alpine forests is definitely *serious and worrisome*," *says* the Geneva-based World Conservation Union.

"If the canses of forest decline are only dimly perceived, the consequences are in contrast quite obvions. There is a considerably increased risk of avalanches, *landslips, torrents* and flooding." When 60 people died after a landslide in the French purpose-built resort of Les Arcs in 1981, the blame was put on tree-felling and the bulldozing of mountainsides to *make pistes*.

Young trees and flowers are *being damaged* by the cutting edges of skis, which is one reason why off-piste skiing is forbidden in some areas. The problem is particularly acute *at high altitudes*, where *it* takes 30-50 years for a tree to reach a height of 4m.

Pollntion from a big increase in road traffic is also blamed for the death of trees, although it is not known how much of the damage is caused by cars and how much by the wider problem of acid rain.

Alp Action, a Geneva-based organisation set up five years ago by Prince Sadruddin Aga Khan, the philanthropist, is involved in a project to plant half a million trees by the end of this year.

Other problems are directly caused by the tourists. Litter dropped from ski-lifts into the snow reappears when it melts. *As well as damaging the envi*ronment, this adds to costs for resorts which need to clear up the rubbish for the sake of the summer tourists.

"One important thing is to make sure countrysida is *intact for summer*," *says Ms* Heidi Reisz of the Swiss National Tourist Office in London. "Tourism is the third most important source of income for Switzerland and 99 per cent of visitors come for the scenery, so you have be careful what you do with it."

Reliable statistics on the scale of the damage are scarce. This year, Green Flag International, a Cambridge-based environmental group set up in 1990 with support from tour operators, is seeking £25,000 *in sponsorship for a year-long* study on the environmental impact of the tourism industry in the Alps.

"Is tourism going to destroy itself because of pressure on certain areas?" asks Mr Dick *Sisman, chairman of GFI.* "*It* is important for those involved in the industry to know, because it affects their business." Tour operators are finding it increasingly hard to put together affordable packages, he says, because resorts are passing on the costs of environmental protection.

Since there is competition to cnt costs between resorts in the different *Alpine nations*, the most effective way of maintaining the environment is througb international agreements, according to Mr Ulf Tödter of the 40-year-old International Commission for the Protection of the Alps.

Bnt there are differing attitndes to environmental problems – Switzerland is widely regarded as being the most environmen*tally sensitive country* with Austria close behind, while France and Italy attract most of the criticism – and attempts at co-ordinated action have tended to result in pressure to rednce rather than improve standards, says Mr Tödter.

A new concern is the *increased use of snow-making* machines. These use large qnantities of water from mountain rivers, which can disrupt the supplies of downstream users.

In addition, environmentalists *blame tourism* for *ruining* a traditional way of life and for transforming villages into concrete suburban zones connected with motorways.

Most agree, however, that tourism is the only viable economic option for those *living* in the mountains. "You cannot be against ski tourism," says Alp Action. "But it is necessary to stop the development of large ski areas such as in the Savoie. The priority is to avoid these errors and to create a balance between winter and summer tourism so that everything is not focused on the winter."

The plentiful snow this season comes as a relief to the resorts, particularly those at a lower elevation which have suffered financially from lack of snow. But it does not solve tha fundamental problem which most resorts face in balancing the demands of tourism with those of the environment.

Barings: wagers and law

From Mr Nicholas J Bellord.

Sir, Buying something at a future date for a fixed sum of money seems to me to be a proper contract enforceable at law. Betting on the future level of a stock exchange index was always regarded as wagering and therefore unenforceable by application of various Gaming Acts. That was the position until the Financial Services Act 1986.

Was parliament right to make this change? The Catechism of the Catholic Church says: "Wagers ... become morally unacceptable when they deprive someone of what is necessary to provide for his needs and those of others. The passion for gambling risks becoming an enslavement." I wonder what your readers think.

Nicholas J Bellord,
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70 St George's Square,
London SW1V 3RD, UK

From Dr Robert Brady.

Sir, Comment after the collapse of Barings has been remarkably silent on the subject of changes in regulation that are already in process. Some political commentators appear to be ignorant of the European Directive on Capital Adequacy (CAD) and some establishment commentators hava not sought to mention it in defence of their position.

The CAD is due to come into effect on January 1 1996 and will address, in particular, the subject of capital cover of derivatives trading. So far the banks, especially on the continent, appear to be pressing the authorities to delay its implementation until the Basle committee of the Bank of International Settlements has reported.

There are systems issues involved in meeting the directive but the software and implementation skills exist today. We suggest that the Barings collapse will not have been in vain if the authorities and financial institutions now focus on implementing, rather than delaying, the CAD.

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

The growth being experienced in the UK has been driven by exports

From Prof Wynne Godley.

Sir, Mr M.C. Fitzpatrick (Letters, February 25) claims the UK recovery has not been "export driven" because the increase in net exports was only a quarter of the increase in gross domestic product between 1993 and 1994.

But Mr Fitzpatrick's arithmetical analysis tells us nothing about causality. It is only possible to reach conclusions about why things happen in terms of a model of how the economy works, although such conclusions are always going to be conditional on the particular mode used. There is obviously not space to deploy a model here, but there are a number of features of the past two years which suggest to me that Mr Fitzpatrick's conclusion is wrong.

It is true that personal con*sumption has risen* by an amount equal to nearly half the growth of GDP. But the more significant point is that consumption, in marked contrast to most previous periods of expansion, has fallen sharply as a share of GDP. So in a causal sense consumption seems to have acted as a damper on growth – and this is not surprising in view of the high level of indebtedness, the increase in tax rates and the weak performance of asset prices. Investment has been no driving force, having risen at an annual rate of 1.5 per cent over the past eight quarters and, like consumption, having fallen sharply as a share of GDP.

So what did drive the expansion? The impact of net trade on the economy cannot be *measured by* the arithmetical contribution of exports less imports to GDP growth, particularly as imports are themselves so much affected by the rate of expansion overall. It would be better to take exports relative to the share of imports in production as a measure of the impact of trade, although even this is vulnerable because the propensity to import (as well as the level of imports itself) is dependent on the business cycle. It turns out that exports relative to the import share (excluding oil and allowing for changes in the terms of trade) rose at the remarkably high annual rate of 7.5 per cent between 1992Q4 and 1994Q3 – the latest data for which I can do the calculation. The previous period during the past 24 years when the ratio of exports to import penetration rose so fast was generally in times of deep depression (for example, 1976, 1980 and 1990) when the ratio rose because the import propensity collapsed. The remarkable feature of the past two years is that the balance of trade has improved while expansion of the economy has been above trend.

I conclude that it is fair, if a bit over-simplified, to say that we have, indeed, been experiencing growth "driven" by net exports, possibly for the first time in the postwar period.

Wynne Godley,
Jerome Levy Economics Institute,
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New York 12504-5000, US

Gene decision welcome

From Mr Andrew Sheard.

Sir, Your report on the rejection of the European biotechnology directive by the European parliament suggests that much of the biotechnology industry is disappointed with the outcome ("Euro-MPs reject patents for genetic engineering", March 2).

In my experience, both as a patent attorney representing various biotechnology companies and as a member of the Industrial Property Advisory Committee of the BioIndustry Association, that is not the case; the industry is, in general, pleased that the directive was rejected.

What had started out in 1988 as a moderately useful but hardly essential tidying-up exercise in a difficult area of law subsequently became a vehicle for special interest groups to undermine the growing and established case law which permits the patenting of proteins, DNA and other entities important to the biotechnology industry.

Although industry could have lived with the rather tortured compromise wording eventually put to the European parliament, frankly there was something of a sigh of relief when the whole package was rejected.

The law can now continue its largely harmonised development in a manner which promotes and balances the interests both of the industry and of the consumers who will ultimately benefit from its efforts.

Andrew Sheard,
Kilburn & Strode,
30 John Street,
London WC1N 2DD, UK

Not aware anything has changed

From Kirsten Maher.

Sir, Michael Prowse ("Sunset years for affirmative action", February 27) writes: "In the early 1960s, white males dominated most walks of life."

Have I missed something? I hadn't realised things had changed.

Kirsten Maher,
52 West 13th Street,
New York, NY 10011, US

CURRENCIES AND MONEY

MARKETS REPORT

Dollar sinks

The efforts of seventeen central banks were yesterday insufficient to prevent tha dollar falling to fresh lows, *writes Philip Gawith.*

In afternoon New York trading the dollar was trading at levels below DM1.4425 and Y95.30 where the Fed first intervened on Thursday evening. This was despite three rounds of buying support from 14 European banks, led by the Bundesbank.

In mid-afternoon New York the dollar was trading at Y93.75, a post second world war two low, and DM1.4260. It closed on Thursday in London at DM1.4601 and Y96.21.

The general market consensus was that intervention had failed because central banks, the Federal Reserve in particular, were concerned not so much about the level of the dollar, as the speed with which it had fallen on Thursday. The fear was about disorderly markets, rather than the dollar.

The peseta and the lira both touched fresh lows against the D-Mark, despite the intervention. The peseta hit a new low of Pta88.56, while the lira reached L1,178 after European markets closed.

Continued concern about Latin American financial markets caused renewed weakness in the Mexican peso. Yesterday evening it was trading at 6.32 pesos against the dollar, from 5.93 on Thursday.

■ **Pound in New York**

Mar 3	—Latest—	– Prev. close –
£ spot	1.6223	1.6135
1 mth	1.6218	1.6131
3 mth	1.6209	1.6120
1 yr	1.6101	1.6000

Sterling was a beneficiary of the intervention. The trade weighted index finished at 87.9, up from 87.1. The pound closed at DM2.3281, from DM2.3207, and at $1.6248, from $1.5894 - the highest level against the dollar since late October.

In Ireland the central bank raised its short-term facility rate by 50 basis points to 6.75 per cent.

■ Intervention to support the dollar started in Europe at 8.10am with an announcement from the Bundesbank that it was buying dollars for D-Mark in concert with other central banks.

Confirmation soon followed from the central banks of Sweden, Italy, Greece, France, Austria, Belgium, Spain, Finland, Portugal, Holland, England, Norway and Switzerland that they were also involved in the intervention.

A second round of support followed at 9.30am and the Bundesbank was again in the market shortly after midday. Once trading in New York opened, the Fed again intervened, joined by most of the European banks and Canada.

At no stage, however, did the intervention appear to be working, and the dollar slid slowly throughout the day. Mr Neil MacKinnon, chief economist at Citibank in London, said: "I think the central banks are fighting a losing battle. They are fighting against the fundamentals."

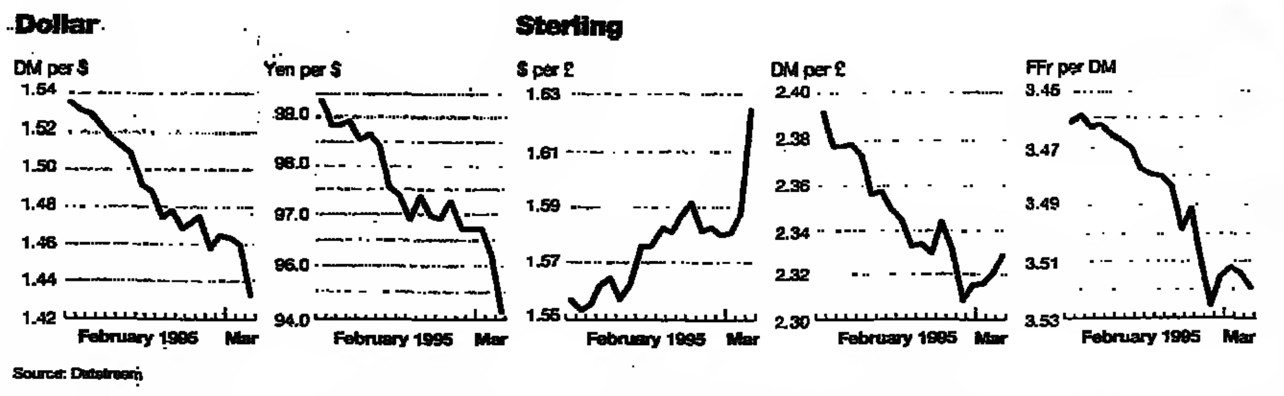
Mr Steve Hannah, director of research at IBJ International in London, said the dollar was more vulnerable against the D-Mark, where the intervention lacked credibility.

"I don't think the German's heart is in it. Germany's last requirement is to boost the money supply by putting lots of D-Marks into circulation."

A stronger D-Mark also serves the Bundesbank's purposes. It reduces pressure for it to tighten policy by raising interest rates and by putting German corporates' profits under pressure, makes them less likely to accommodate inflationary wage demands.

Mr Hannah said intervention against the yen was more credible as it was possible the Bank of Japan would accept a loosening of monetary conditions.

■ The Bank of England cleared a £450m money market shortage at established rates. Three month LIBOR was steady at 6 11/16 per cent.



Source: Datastream

POUND SPOT FORWARD AGAINST THE POUND

Mar 2		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.4187	-0.0759	129 - 265	16.5927	16.3292	16.4072	0.9	16.3735	1.1	-	-	106.9
Belgium	(BFr)	47.9870	+0.1858	685 - 055	48.2750	47.8960	47.957	0.8	47.872	1.0	47.382	1.3	109.3
Denmark	(DKr)	9.2531	+0.0281	482 - 579	9.3012	9.2022	9.2496	0.5	9.2417	0.5	9.1873	0.7	107.9
Finland	(FM)	7.1251	+0.02	188 - 313	7.1920	7.0920	-	-	-	-	-	-	87.1
France	(FFr)	6.1948	+0.0435	914 - 981	6.2323	6.1539	6.1956	-0.1	6.1925	0.1	6.1448	0.6	108.3
Germany	(DM)	2.3281	+0.0074	270 - 291	2.3408	2.3188	2.3253	1.5	2.3193	1.5	2.2856	1.8	112.3
Greece	(Dr)	372.962	+3.188	175 - 748	374.748	369.794	-	-	-	-	-	-	68.1
Ireland	(I£)	1.0076	-0.0018	071 - 081	1.0098	1.0011	1.0078	-0.2	1.0079	-0.1	1.0054	0.2	97.4
Italy	(L)	2691.40	+49.94	838 - 442	2697.75	2646.08	2699.6	-3.7	2714.9	-3.5	2781.7	-3.4	68.3
Luxembourg	(LFr)	47.9870	+0.1858	685 - 055	48.2750	47.8960	47.957	0.8	47.872	1.0	47.382	1.3	109.3
Netherlands	(Fl)	2.6142	+0.0114	132 - 151	2.6235	2.5984	2.6113	1.4	2.6047	1.5	2.5686	1.7	109.1
Norway	(NKr)	10.2953	+0.0372	906 - 999	10.3977	10.2599	10.2939	0.2	10.2914	0.1	10.2787	0.2	99.4
Portugal	(Es)	241.942	-0.68	808 - 075	243.455	240.508	242.542	-3.0	244.162	-3.7	-	-	87.0
Spain	(Pta)	205.856	+1.268	730 - 981	206.521	204.424	206.261	-2.5	207.076	-2.4	211.001	-2.5	78.3
Sweden	(SKr)	11.7903	-0.1298	816 - 989	11.8412	11.6839	11.7921	-0.2	11.7954	-0.2	11.8069	-0.1	79.6
Switzerland	(SFr)	1.9698	-0.0001	688 - 704	1.9802	1.9641	1.9651	2.7	1.9561	2.7	1.9096	3.0	110.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	87.8
Ecu	-	1.2542	+0.0071	534 - 548	1.2607	1.2461	1.2545	-0.2	1.2532	0.3	1.247	0.6	-
SDR†	-	1.071700	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6250	-0.0361	246 - 254	1.6254	1.6025	-	-	-	-	-	-	-
Brazil	(Cr)	1.3849	+0.0399	821 - 878	1.3878	1.3683	-	-	-	-	-	-	-
Canada	(C$)	2.2759	+0.0419	750 - 768	2.2768	2.2480	2.2799	-2.1	2.2847	-1.6	2.2888	-0.5	81.3
Mexico	(New Peso)	9.8054	+0.3882	628 - 481	9.8481	9.6773	-	-	-	-	-	-	-
USA	($)	1.6248	+0.0354	244 - 251	1.6251	1.6022	1.6244	0.3	1.6233	0.4	1.612	0.8	92.4
Pacific/Middle East/Africa													
Australia	(A$)	2.1979	+0.0435	966 - 991	2.1991	2.1945	2.2005	-1.4	2.206	-1.5	2.2312	-1.5	83.2
Hong Kong	(HK$)	12.5631	+0.2743	600 - 662	12.5662	12.3895	12.5623	0.1	12.5888	-0.8	12.4884	0.6	-
India	(Rs)	51.4721	+1.426	798 - 644	51.5644	51.3798	-	-	-	-	-	-	-
Israel	(Shk)	4.8193	+0.0773	142 - 244	4.8244	4.7728	-	-	-	-	-	-	-
Japan	(Y)	153.076	+0.18	986 - 166	154.160	152.360	152.536	4.2	151.401	4.4	145.391	5.0	153.6
Malaysia	(M$)	4.1435	+0.0865	422 - 448	4.1448	4.0885	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5437	+0.0361	421 - 452	2.5452	2.5396	2.5496	-2.8	2.5594	-2.5	2.584	-1.8	96.7
Philippines	(Peso)	42.0811	+1.233	471 - 151	41.4161	41.7471	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0934	+0.1324	918 - 949	6.0949	6.0091	-	-	-	-	-	-	-
Singapore	(S$)	2.3493	+0.0467	484 - 502	2.3502	2.3199	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.8018	-0.073	991 - 040	5.8040	5.7409	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.3122	+0.0897	946 - 298	6.3298	6.2265	-	-	-	-	-	-	-
South Korea	(Won)	1284.45	+29.22	409 - 480	1284.60	1266.70	-	-	-	-	-	-	-
Taiwan	(T$)	42.7814	-0.8779	501 - 726	42.7726	42.1699	-	-	-	-	-	-	-
Thailand	(Bt)	40.4583	+0.8325	313 - 812	40.4812	39.9430	-	-	-	-	-	-	-

†SDR rates per £ for Mar 2. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 3		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.1060	-0.177	040 - 080	10.2920	10.1040	10.2725	1.2	10.2505	1.3	10.132	1.5	105.8
Belgium	(BFr)	29.5350	-0.54	300 - 400	29.9600	29.5150	30.0825	-0.3	30.03	0.8	29.935	0.5	108.7
Denmark	(DKr)	5.6951	-0.108	933 - 968	5.7902	5.6908	5.8049	-0.2	5.8056	-0.1	5.8091	-0.1	106.5
Finland	(FM)	4.3853	-0.085	824 - 882	4.4774	4.3821	4.4685	0.5	4.4673	0.3	4.4688	0.0	85.8
France	(FFr)	5.0437	-0.0848	427 - 447	5.1160	5.0425	5.1293	-0.2	5.132	-0.3	5.138	-0.2	107.4
Germany	(DM)	1.4329	-0.0272	325 - 332	1.4550	1.4310	1.4587	1.2	1.456	1.1	1.4451	1.0	111.0
Greece	(Dr)	229.550	-3.1	500 - 600	232.190	228.500	235.15	-12.9	239.4	-11.6	257.15	-10.5	68.5
Ireland	(I£)	1.6124	-0.0324	121 - 129	1.6155	1.5888	1.5806	-0.4	1.5794	0.2	1.5768	0.2	-
Italy	(L)	1656.50	-5.43	500 - 800	1676.00	1644.00	1667.43	-4.0	1678.18	-3.9	1731.93	-4.2	68.9
Luxembourg	(LFr)	29.5350	-0.54	300 - 400	29.9600	29.5150	30.0825	-0.3	30.03	0.8	29.935	0.5	108.7
Netherlands	(Fl)	1.6090	-0.0295	087 - 092	1.6306	1.6012	1.6361	1.1	1.6332	1.1	1.6221	0.8	108.4
Norway	(NKr)	6.3365	-0.1178	350 - 380	6.4430	6.3313	6.4474	1.3	6.4366	1.1	6.4016	0.8	97.9
Portugal	(Es)	148.910	-3.74	860 - 960	151.600	148.600	153.075	-3.3	154.175	-4.0	158.95	-4.1	96.8
Spain	(Pta)	126.700	-2.02	650 - 750	128.530	126.650	129.015	-2.8	129.605	-2.8	132.97	-3.3	78.8
Sweden	(SKr)	7.2567	-0.0797	529 - 604	7.3582	7.2508	7.3497	-2.2	7.3748	-2.1	7.4994	-2.2	79.2
Switzerland	(SFr)	1.2123	-0.027	120 - 125	1.2337	1.2105	1.2368	2.4	1.2321	2.3	1.2116	2.2	109.4
UK	(£)	1.6248	+0.0354	244 - 251	1.6251	1.6022	1.6244	0.3	1.6233	0.4	1.6120	0.8	86.5
Ecu	-	1.2955	+0.021	950 - 960	1.2980	1.2787	1.2746	-0.1	1.2742	0.1	1.2718	0.2	-
SDR†	-	0.65960	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	+0.0005	001 - 002	1.0002	1.0001	-	-	-	-	-	-	-
Brazil	(Cr)	0.8585	+0.006	570 - 600	0.8600	0.8570	-	-	-	-	-	-	-
Canada	(C$)	1.4008	-0.0048	005 - 010	1.4045	1.3989	1.4084	-2.4	1.4124	-1.8	1.4236	-1.3	80.5
Mexico	(New Peso)	6.0350	-0.11	100 - 600	6.0600	5.9900	6.9258	-0.2	5.9262	-0.1	5.9278	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3526	-0.0029	523 - 532	1.3697	1.3522	1.3572	-1.8	1.3618	-1.8	1.3866	-2.3	84.8
Hong Kong	(HK$)	7.7324	+0.0007	321 - 326	7.7345	7.7321	7.7329	-0.2	7.7339	-0.1	7.7387	-0.1	-
India	(Rs)	31.8600	+0.1925	300 - 300	31.9000	31.5100	31.5675	-3.0	31.8125	-4.1	-	-	-
Israel	(Shk)	2.9662	-0.0173	637 - 687	2.9846	2.9632	-	-	-	-	-	-	-
Japan	(Y)	94.2150	-1.995	600 - 500	95.5800	94.1200	95.9	3.9	95.26	3.8	92.155	4.2	152.8
Malaysia	(M$)	2.5503	-0.0022	500 - 505	2.5513	2.5500	2.5505	0.9	2.546	1.0	2.53	0.8	-
New Zealand	(NZ$)	1.5864	-0.0121	649 - 662	1.5851	1.5649	1.5802	-2.1	1.5878	-2.6	1.6145	-2.3	-
Philippines	(Peso)	25.9000	+0.2	000 - 000	26.1000	25.7000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-0.0001	502 - 505	3.7505	3.7502	3.7531	-0.8	3.7584	-0.6	3.769	-0.5	-
Singapore	(S$)	1.4460	-0.0027	457 - 462	1.4477	1.4453	1.4438	4.1	1.4394	2.8	1.415	2.3	-
S Africa (Com.)	(R)	3.5708	-0.0335	700 - 716	3.5968	3.5695	3.6178	-4.5	3.6525	-5.3	3.8218	-6.0	-
S Africa (Fin.)	(R)	3.8850	-0.03	750 - 950	3.8950	3.8700	3.9425	-6.4	3.9825	-7.8	4.225	-7.9	-
South Korea	(Won)	790.550	+0.8	500 - 600	791.500	789.900	792.75	-4.6	796.25	-3.3	814.75	-3.2	-
Taiwan	(T$)	26.3188	-0.033	175 - 200	26.3400	26.3175	26.3718	-0.9	29.4118	-0.9	-	-	-
Thailand	(Bt)	24.9000	-0.03	900 - 100	24.8100	24.8850	24.9425	-0.6	24.9565	-0.4	24.9825	-0.2	-

†SDR rate per $ for Mar 2. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 2. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

March 3	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	6	5⅝	5¾	5⅞	6⅜	7.40	4.50	-
week ago	6	5 11/16	5⅝	5⅞	6⅜	7.40	4.50	-
France	5 11/16	6⅜	6½	6 11/16	7	5.00	-	6.40
week ago	5 11/16	6⅜	5⅞	6¼	6¾	5.00	-	6.40
Germany	4.68	4.95	5.05	5.23	5.68	6.00	4.50	4.85
week ago	4.68	4.95	5.05	5.23	5.66	6.00	4.50	4.85
Ireland	5¼	5¾	6¼	6 13/16	7⅜	-	-	6.25
week ago	5½	5¾	6¼	6 13/16	7⅜	-	-	6.25
Italy	8⅛	10⅛	10⅛	10½	11⅛	-	7.50	8.35
week ago	8¾	10⅛	8⅞	10	10¾	-	7.50	8.35
Netherlands	4.84	5.03	5.14	5.33	5.77	-	5.25	-
week ago	4.84	5.03	5.13	5.33	5.77	-	5.25	-
Switzerland	3⅛	3 13/16	3⅞	4⅛	4 1/16	6.625	3.50	-
week ago	3⅜	3 13/16	3⅞	4⅜	4½	6.625	3.50	-
US	5 13/16	6	6⅛	6⅜	6⅝	-	5.25	-
week ago	5⅞	6	6⅛	6⅜	6¾	-	5.25	-
Japan	2⅛	2⅛	2¼	2⅜	2⅜	-	1.75	-
week ago	2⅛	2⅛	2¼	2⅜	2⅜	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6¼	6 7/16	6 13/16	-	-	-
week ago	-	6⅛	6¼	6 7/16	6 13/16	-	-	-
US Dollar CDs	-	5.94	6.04	6.24	6.84	-	-	-
week ago	-	5.94	5.99	6.17	6.57	-	-	-
SDR Linked Ds	-	4⅛	4¼	4⅜	4 13/16	-	-	-
week ago	-	4⅜	4⅞	5⅛	5⅜	-	-	-

ECU Linked Ds mid rates: 1 mth: 6⅛; 3 mths: 6¼; 6 mths: 6½; 1 year: 7. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 3	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6 - 5⅞	5 13/16 - 5 11/16	6¾ - 5⅝	5 11/16 - 5 9/16	5⅞ - 5¾	6⅜ - 6¼
Danish Krone	5¾ - 6¼	5¾ - 5½	5¾ - 5½	6 - 5 13/16	6 7/16 - 6 5/16	6 13/16 - 6⅜
D-Mark	4⅞ - 4¾	4 15/16 - 4 13/16	5 - 4 13/16	5⅛ - 5 1/16	5⅜ - 5 7/32	6 1/16 - 5⅞
Dutch Guilder	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 1/16 - 5 1/32	5 3/16 - 5⅛	5⅜ - 5 5/16	5 13/16 - 5 11/16
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5⅝ - 5½	5⅞ - 5¾	6¼ - 6⅛	6¾ - 6⅝
Portuguese Esc.	8 - 8⅞	8 - 8 13/16	9 7/16 - 8 7/16	10½ - 10¼	10¾ - 10½	11⅜ - 11
Spanish Peseta	8 3/16 - 8 1/16	8⅜ - 8⅛	8⅝ - 8½	8 13/16 - 8⅞	9 7/16 - 9 5/16	10¼ - 10
Sterling	6 - 5¾	6⅛ - 6	6 13/32 - 6 11/32	6 11/16 - 6⅝	7 3/32 - 7 1/32	7 11/16 - 7 9/16
Swiss Franc	3 13/16 - 3 11/16	3¾ - 3⅝	3⅝ - 3½	3⅞ - 3¾	4 1/16 - 3 15/16	4 7/16 - 4 5/16
Can. Dollar	8⅛ - 7⅞	8⅛ - 7⅞	8 7/16 - 8 5/16	8 3/16 - 8 1/16	8 7/16 - 8 5/16	8 3/16 - 8 1/16
US Dollar	6 - 5⅞	6 1/16 - 5 15/16	6⅛ - 6	6¼ - 6⅛	6 7/16 - 6 5/16	6⅞ - 6¾
Italian Lira	10½ - 8	10 1/16 - 9 13/16	10 1/16 - 9 13/16	10 1/16 - 9 13/16	10½ - 10⅜	11⅛ - 11
Yen	2¼ - 2 1/16	2¼ - 2 1/16	2 13/16 - 2 5/16	2⅜ - 2¼	2⅜ - 2¼	2 13/16 - 2 11/16
Asian $Sing	2⅛ - 2	1⅞ - 1¾	2¼ - 2⅛	2¾ - 2⅝	3⅜ - 3¼	4 1/16 - 3 15/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.48	93.36	-0.18	93.49	93.35	25,620	37,422
Jun	93.13	93.17	-0.09	93.24	93.11	37,711	49,042
Sep	92.97	93.01	-0.04	93.08	92.94	13,765	37,597
Dec	92.77	92.80	-0.04	92.87	92.75	5,140	22,747

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		93.70	-0.03			0	1564
Jun		93.35	-0.08			0	540
Sep		93.04	-0.11			0	364
Dec		92.79	-0.13			0	270

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.85	94.89	-0.03	94.90	94.85	20846	134052
Jun	94.52	94.59	-0.07	94.63	94.52	36433	208178
Sep	94.18	94.23	+0.06	94.28	94.17	17095	140573
Dec	93.81	93.84	+0.05	93.89	93.79	13676	107921

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.95	89.69	-0.29	89.99	89.46	8418	27154
Jun	89.26	89.02	-0.32	89.34	88.78	12588	38856
Sep	89.05	88.71	-0.32	89.05	88.59	3894	29148
Dec	88.81	88.50	-0.31	88.81	88.40	2297	15598

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.06	96.07	-	96.10	96.05	2313	14885
Jun	95.70	95.72	+0.02	95.75	95.70	2065	19866
Sep	95.41	95.43	-0.02	95.44	95.40	656	7892
Dec	95.11	95.12	+0.02	95.13	95.11	98	5858

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.61	93.56	-0.07	93.62	93.55	1101	9152
Jun	93.22	93.17	-0.06	93.23	93.17	1568	8987
Sep	92.88	92.85	-0.04	92.90	92.84	579	3963
Dec	92.52	92.47	-0.05	92.52	92.47	267	2132

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 3		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.29	17.08	4.852	2.099	5609	5.448	21.45	504.2	428.9	24.57	4.104	2.084	4.742	3.385	318.9	2.814
Denmark	(DKr)	51.85	10	8.856	2.518	1.088	2908	2.825	11.12	261.4	222.4	12.74	2.129	1.081	2.459	1.755	165.4	1.355
France	(FFr)	58.56	11.29	10	2.841	1.229	3284	3.190	12.56	295.2	251.2	14.39	2.403	1.220	2.776	1.982	186.7	1.530
Germany	(DM)	20.61	3.975	3.520	1	0.433	1156	1.123	4.420	103.9	88.40	5.064	0.846	0.430	0.977	0.698	65.72	0.539
Ireland	(I£)	47.65	9.189	8.137	2.312	1	2672	2.596	10.22	240.2	204.4	11.71	1.955	0.993	2.259	1.613	151.9	1.245
Italy	(L)	1.783	0.344	0.304	0.087	0.037	100.	0.097	0.382	8.989	7.648	0.438	0.073	0.037	0.085	0.060	5.686	0.047
Netherlands	(Fl)	18.36	3.540	3.135	0.891	0.385	1029	1	3.936	92.64	78.72	4.510	0.753	0.383	0.870	0.621	58.58	0.480
Norway	(NKr)	46.63	8.992	7.963	2.262	0.979	2615	2.540	10	235.1	200.0	11.46	1.914	0.972	2.211	1.578	148.7	1.219
Portugal	(Es)	18.83	3.825	3.387	0.962	0.418	1112	1.081	4.254	100.	85.06	4.874	0.814	0.413	0.940	0.671	63.25	0.518
Spain	(Pta)	23.31	4.496	3.982	1.131	0.489	1308	1.270	5.000	117.5	100.	5.729	0.957	0.486	1.105	0.789	74.34	0.609
Sweden	(SKr)	40.70	7.848	6.950	1.975	0.854	2282	2.217	8.728	205.2	174.6	10	1.670	0.848	1.930	1.377	129.8	1.064
Switzerland	(SFr)	24.37	4.699	4.162	1.182	0.511	1367	1.328	5.226	122.9	104.5	5.988	1	0.508	1.155	0.825	77.70	0.637
UK	(£)	47.98	9.253	8.184	2.328	1.007	2691	2.614	10.29	241.9	205.8	11.79	1.969	1	2.275	1.624	153.0	1.254
Canada	(C$)	21.09	4.067	3.602	1.023	0.443	1183	1.149	4.523	106.3	90.46	5.182	0.865	0.440	1	0.714	67.25	0.551
US	($)	29.54	5.698	5.046	1.433	0.620	1657	1.610	6.336	149.0	126.7	7.260	1.212	0.616	1.401	1	94.21	0.772
Japan	(Y)	31.36	6.048	5.356	1.522	0.658	1758	1.709	6.725	158.1	134.5	7.706	1.287	0.654	1.487	1.061	100.	0.820
Ecu		38.26	7.378	6.534	1.856	0.803	2146	2.085	8.206	192.9	164.1	9.402	1.570	0.797	1.814	1.295	122.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Mar 3	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.09968	-0.00128	-4.42	11.99	-
Belgium	40.2123	38.5785	-0.0162	-4.06	11.58	26
Austria	13.7167	13.1810	-0.0051	-4.06	11.52	-
Germany	1.94964	1.87257	-0.0009	-3.95	11.45	-
Ireland	0.808628	0.808430	-0.002653	-0.02	7.07	-3
Denmark	7.43679	7.44376	-0.00589	0.09	6.94	-4
France	6.53883	6.58790	+0.00382	0.75	6.25	-10
Portugal	192.854	194.543	-0.075	0.88	6.11	-9
Spain	154.250	165.114	+0.054	7.04	0.00	-52
NON ERM MEMBERS						
Greece	264.513	298.861	+0.311	12.99	-5.26	-
Italy	1793.19	2149.28	+22.89	19.86	-10.69	-
UK	0.786749	0.802754	-0.004245	2.03	4.91	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.74	93.72	-0.02	93.74	93.71	44,815	357,131
Jun	93.44	93.39	-0.05	93.45	93.37	117,882	464,029
Sep	93.15	93.09	-0.07	93.18	93.06	147,068	308,791

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	-	94.24	-	-	-	1,680	48
Jun	93.95	93.94	+0.05	93.95	93.92	2,135	13,858
Sep	93.67	93.64	-0.04	93.67	93.63	835	6,856

All Open interest figs. are for previous day

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6944	0.6894	-0.0036	0.6945	0.6878	45,438	92,037
Jun	0.6950	0.6920	-0.0032	0.6951	0.6905	7,906	15,437
Sep	0.6944	0.6934	-0.0025	0.6948	0.6934	247	1,111

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0518	1.0537	-0.0029	1.0557	1.0468	50,201	81,897
Jun	1.0638	1.0652	+0.0029	1.0572	1.0580	9,937	17,583
Sep	1.0750	1.0770	+0.0013	1.0770	1.0750	159	1,008

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Mar	Apr	May	PUTS Mar	Apr	May
1.500	11.52	-	-	-	-	-
1.525	9.03	6.99	9.05	-	0.04	0.20
1.550	6.59	6.72	6.93	-	0.20	0.49
1.575	4.17	4.61	4.98	0.04	0.57	1.01
1.600	2.07	2.84	3.33	0.38	1.28	1.84
1.625	0.65	1.58	2.11	1.46	2.45	2.99

Previous day's vol., Calls 6,472 Puts 13,618 . Prev. day's open int., Calls 271,628 Puts 340,253

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	Apr	May	Jun	PUTS Mar	Apr	May	Jun
9475	0.14	0.04	0.08	0.10	0	0.20	0.24	0.28
9500	0.01	0.01	0.02	0.03	0.12	0.42	0.43	0.44
9525	0	0	0	0.01	0.36	0.66	0.66	0.67

Est. vol. total, Calls 4229 Puts 3806. Previous day's open int., Calls 201620 Puts 322563

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9600	0.09	0.04	0.04	0.02	0.32	0.61
9625	0	0.02	0.01	0.18	0.55	0.83
9650	0	0.01	0	0.43	0.79	1.07

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2023 Puts 2010

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8171	0.8146	-0.0035	0.8200	0.8120	30,234	44,820
Jun	0.8225	0.8200	-0.0034	0.8225	0.8185	3,856	7,182
Sep	0.8260	0.8260	-0.0026	0.8260	0.8252	19	188

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6134	1.6108	+0.0032	1.6148	1.6020	23,677	51,953
Jun	1.6060	1.6100	-0.0024	1.6140	1.6020	5,715	5,883
Sep	-	1.6100	-	1.6100	1.6050	1	14

UK INTEREST RATES

LONDON MONEY RATES

Mar 3	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅝ - 4	5⅞ - 5½	6 7/16 - 6 5/16	6¾ - 6⅝	7⅛ - 7	7¾ - 7⅝
Sterling CDs	-	-	6 11/32 - 6 5/16	6 13/16 - 6 11/16	7 - 6 15/16	7 9/16 - 7 7/16
Treasury Bills	-	-	6¼ - 6⅛	6 7/16 - 6⅜	-	-
Bank Bills	-	-	6¼ - 6⅛	6 13/16 - 6 11/16	6 13/16 - 6¾	-
Local authority deps.	6 3/16 - 6 1/16	6⅛ - 6	6 7/16 - 6 5/16	6¾ - 6⅝	7 1/16 - 6 15/16	7 11/16 - 7 9/16
Discount Market deps	5½ - 4	5⅞ - 5¾	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¼	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.1282pc. ECGD fixed rate Stg. Export Finance. Make up day Feb 28, 1995. Agreed rate for period Mar 26, 1995 to Apr 25, 1995, Schemes II & III 6.06pc. Reference rate for period Feb 1, 1995 to Feb 28, 1995, Schemes IV & V 6.795pc. Finance House Base Rate 7pc from Mar 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.17	93.19	+0.02	93.21	93.17	7316	70129
Jun	92.45	92.45	-0.02	92.51	92.45	12425	100973
Sep	91.99	91.97	-0.03	92.01	91.96	7107	68582
Dec	91.63	91.61	-0.04	91.67	91.60	3713	51436

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9300	0.20	0.04	0.06	0.01	0.59	1.09
9325	0.02	0.01	0.03	0.08	0.81	1.31
9350	0	0	0.02	0.31	1.05	1.55

Est. vol. total, Calls 6594 Puts 1532. Previous day's open int., Calls 228053 Puts 197647

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.00	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

■ **OTHER CURRENCIES**

Mar 3	£	$
Hungary	181.085 - 181.329	111.480 - 111.580
Iran	2840.89 - 2842.76	1748.00 - 1750.00
Kuwait	0.4831 - 0.4336	0.2974 - 0.2977
Poland	3.8888 - 3.8970	2.3940 - 2.3960
Russia	7466.28 - 7462.64	4594.00 - 4594.00
U.A.E.	5.9649 - 5.9690	3.6720 - 3.6720

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page in Monday's edition.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of AUTIF §§

INITIAL CHARGE: Charges made by a unit trust manager. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the buying price of units.

BUYING PRICE: Also called offer price. The price at which units are bought by investors.

SELLING PRICE: Also called bid price. The price at which units are sold back by investors.

TREATMENT OF MANAGER'S PERIODIC CHARGE: The letter C denotes that the trust deducts all or part of the manager's periodic charge from capital, contact the manager for full details of the effect of this course of action.

EXIT CHARGES: The letter E denotes that an exit charge may be made when you sell units, contact the manager for full details.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Association of Unit Trusts and Investment Funds, 65 Kingsway, London, WC2B 6TD. Tel: 071-831-0898.

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Money Market Trust Funds

Money Market Bank Accounts

MANAGEMENT SERVICES

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Mar 3 / US$) (3 pm)

CANADA (Mar 3 / Can. $) (3 pm)

EUROPE

AUSTRIA (Mar 3 / Sch)

BELGIUM/LUXEMBOURG (Mar 3 / Frs.)

DENMARK (Mar 3 / Kr)

FINLAND (Mar 3 / Mks)

FRANCE (Mar 3 / Frs.)

GERMANY (Mar 3 / Dm.)

ITALY (Mar 3 / Lire)

NETHERLANDS (Mar 3 / Fls.)

NORWAY (Mar 3 / Kroner)

SPAIN (Mar 3 / Pta.)

SWEDEN (Mar 3 / Kronor)

SWITZERLAND (Mar 3 / Frs.)

AFRICA

SOUTH AFRICA (Mar 3 / Rand)

PACIFIC

JAPAN (Mar 3 / Yen)

AUSTRALIA (Mar 3 / Aust$)

HONG KONG (Mar 3 / H.K.$)

MALAYSIA (Feb 28 / MYR)

SINGAPORE (Mar 2 / S$)

INDICES

	Mar 3	Mar 2	Mar 1	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	10789.89	11480.59	25470.40	16/2/94	10789.89	2/3/95
Australia							
All Ordinaries(1/1/80)	1902.4	1915.7	1917.1	2340.60	3/2/94	1823.30	8/2/95
All Mining(1/1/80)	840.8	843.8	844.4	1138.10	3/2/94	785.30	8/2/95
Austria							
Credit Aktien(30/12/84)	377.98	378.78	378.17	480.88	2/2/94	361.34	3/2/95
Traded Index(2/1/91)	1021.41	1023.02	1024.74	1222.25	1/2/94	988.30	3/2/95
Belgium							
BEL20 (1/1/91)	1322.57	1321.18	1328.85	1542.85	9/2/94	1321.18	2/3/95
Brazil							
Bovespa (29/12/83)	(u)	29891.9	(c)	55119.00	13/9/94	3800.90	3/1/94
Canada							
Metals Mins♦(1975)	(u)	3323.67	3306.63	4326.67	18/1/95	3298.06	20/4/94
Composite♦ (1975)	(u)	4081.20	4063.80	4808.99	23/3/94	3858.98	24/6/94
Portfolio§§ (4/1/83)	(u)	2017.91	2012.18	2182.89	1/2/94	1888.46	28/6/94
Chile							
IPGA Gen (31/12/80)	(c)	5169.4	5266.8	5754.40	21/11/94	3801.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	351.71	353.60	353.03	415.79	2/2/94	335.66	20/12/94
Finland							
HEX General(28/12/90)	1694.6	1704.1	1743.3	1972.80	4/2/94	1601.30	3/1/94
France							
SBF 250 (31/12/90)	1192.77	1198.76	1199.46	1586.20	2/2/94	1178.82	23/1/95
CAC 40(31/12/87)	1795.24	1807.35	1808.36	2355.93	2/2/94	1772.84	23/1/95
Germany							
FAZ Aktien(31/12/58)	785.59	788.30	788.96	888.27	18/5/94	742.84	5/10/94
Commerzbank(1/12/53)	2237.2	2246.7	2247.8	2408.50	2/5/94	2116.30	5/10/94
DAX (30/12/87)‡	2109.49	2118.66	2128.15	2271.11	18/5/94	1980.59	7/10/94
Greece							
Athens SE(31/12/80)	815.60	817.48	818.98	1194.58	18/1/94	788.22	8/2/95
Hong Kong							
Hang Seng(31/7/64)	8185.15	8253.33	8295.96	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	3528.36	3507.32	3459.81	4628.57	12/9/94	3233.31	22/2/95
Indonesia							
Jakarta Comp.(10/8/82)	(c)	(c)	452.88	612.89	5/1/94	432.88	25/1/95
Ireland							
ISEQ Overall(4/1/88)	1862.15	1869.69†	1867.38	2092.18	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	629.36	638.21	639.20	817.17	10/5/94	591.84	13/12/94
MIB General (2/1/95)	995.0	1009.0	1010.0	1318.00	10/5/94	974.00	27/2/95
Japan							
Nikkei 225 (16/5/49)	17039.62	16963.18	16818.71	21552.81	13/6/94	16818.71	1/3/95
Nikkei 300 (1/10/82)	251.09	249.23	244.05	311.71	13/6/94	242.86	22/2/95
Topix (4/1/68)	1362.84	1354.18	1327.60	1712.73	13/6/94	1328.98	27/2/95
2nd Section (4/1/68)	1801.19	1783.31	1749.17	2342.86	6/7/94	1739.06	27/2/95
Malaysia							
KLSE Comp.(4/4/86)	(c)	(c)	(c)	1314.46	5/1/94	840.87	24/1/95
Mexico							
IPC (Nov 1978)	(u)	1517.06	1517.96	2881.17	8/2/94	1447.82	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	434.7	437.9	437.9	464.90	31/1/94	408.39	21/6/94
CBS All Shr (End 83)	272.7	274.7	274.7	294.80	31/1/94	257.80	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1980.50	1998.82	2001.79	2430.64	3/2/94	1878.09	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1079.51	1098.28	1105.34	1211.16	28/2/94	880.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2488.52	2490.91	2478.23	3308.37	4/1/94	2374.86	24/1/95
Portugal							
BTA (1977)	2735.1	2742.0	2735.6	3228.80	18/2/94	2612.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	(c)	509.94	509.93	641.81	4/1/94	472.80	23/1/95
South Africa							
JSE Gold (28/9/78)	1479.0▼	1498.1	1545.5	2534.80	7/9/94	1478.80	3/3/95
JSE Ind. (28/9/78)	6541.5▼	6531.0	6488.1	6884.40	30/12/94	5448.00	19/1/94
South Korea							
KoreaCompEx(4/1/80)**	907.96	903.42	(c)	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	281.22	283.93	279.90	358.31	31/1/94	276.36	11/1/95
Sweden							
AffarsvarldsGen (1/2/37)	1489.5	1504.3	1521.6	1665.90	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1241.29	1251.89	1251.96	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	911.46	920.46	920.47	1083.29	31/1/94	878.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6518.83	6450.39	6337.83	7191.13	1/11/94	5194.69	19/3/94
Thailand							
Bangkok SET (30/4/75)	1282.33	1281.91	1287.70	1753.73	4/1/94	1181.28	23/1/95
Turkey							
Istanbul Comp.(Jan 1986)	(c)	30195.3	29781.6	30195.30	2/3/95	12880.79	24/3/94
WORLD							
MS Capital Int (1/1/70)	620.8*	617.2	613.5	649.90	2/11/94	591.88	1/11/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1283.06	1296.79	1303.42	1540.19	31/1/94	1283.06	3/3/95
Euro Top-100 (26/6/90)	1158.19	1164.95	1165.84	1321.01	2/2/94	1138.46	5/10/94
JCapitlDrgns (31/12/88)	(u)	298.05	298.32	365.19	5/1/94	281.46	23/1/95
Barings Emerg.(7/1/92)	128.68	132.06	132.78	181.79	26/9/94	130.27	22/2/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40							
Mar	1802.0	1804.0	-10.0	1815.0	1793.0	27,663	37,216
Apr	1810.0	1811.5	-9.5	1811.5	1805.0	18,517	1,616
DAX							
Mar	2120.0	2100.0	-23.0	2121.5	2095.5	16,724	
Jun	2138.0	2119.0	-23.0	2140.0	2115.0	2,144	
OMX							
Feb	-	-	-	-	-	-	-
Mar	1146.50	1136.50	-11.50	1147.00	1132.00	6,951	16,776
SOFFEX							
Mar	2611.0	2594.0	-26.0	2613.9	2591.0	3,612	15,203
Apr	2620.1	2602.0	-36.0	2620.0	2602.0	152	620

** Sat Feb 25: Taiwan Weighted Price 6591.36; Korea Comp Ex 912.80. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 3 - 2094.18 -22.46

US INDICES

Dow Jones	Mar 2	Mar 1	Feb 28	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3979.93	3994.80	4011.05	4011.74 (24/2/95)	3593.35 (4/4/94)	4011.74 (24/2/95)	41.22 (2/7/32)
Home Bonds	97.09	97.43	97.33	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1578.92	1596.37	1585.69	1862.29 (2/2/94)	1371.80 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	190.02	192.06	193.81	227.06 (3/1/94)	173.94 (22/11/94)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 4009.67 (4033.18) Low 3947.07 (3950.56) (Theoretical‡)
Day's high 3995.49 (4013.62) Low 3959.18 (3985.11) (Actual‡)

Standard and Poors	Mar 2	Mar 1	Feb 28	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	485.13	485.65	487.39	488.11 (24/2/95)	438.92 (4/4/94)	488.11 (24/2/95)	4.40 (1/6/32)
Industrials▼	573.93	574.45	576.93	578.22 (24/2/95)	510.05 (21/4/94)	578.32 (24/2/95)	3.62 (21/6/32)
Financial	48.11	48.08	48.24	48.84 (14/6/94)	39.87 (22/11/94)	48.40 (20/9/93)	8.64 (1/10/74)
NYSE Comp.	263.36	263.76	264.65	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	453.06	458.74	452.71	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	783.66	781.87	793.73	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Feb 24	Feb 17	Feb 10	Year ago
Dow Jones Ind. Div. Yield	2.69	2.72	2.72	2.62
	Mar 1	Feb 22	Feb 16	Year ago
S & P Ind. Div. yield	2.36	2.36	2.38	2.39
S & P Ind. P/E ratio	17.32	19.60	18.57	24.34

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Novus	9,434,500	5⅝	-⅛
YPF Soc	7,074,500	18⅝	-⅝
Ford Motor	5,031,700	25⅝	-⅝
Chrysler	4,610,000	41⅝	..
Wal-Mart	4,534,800	24⅜	+⅝
Telefonos	4,373,500	27	+⅛
Glaxo	4,154,100	21⅛	+⅜
Gen Motors	3,958,600	39⅝	-⅝
Limited	3,381,300	18⅝	+1⅛
Micron	2,739,500	65⅝	+1

TRADING ACTIVITY

● Volume (million)

	Mar 2	Mar 1	Feb 28
New York SE	329.421	362.581	317,127
Amex	17.808	16.851	15.571
NASDAQ	272.650	313.728	300.163
NYSE			
Issues Traded	2,945	2,943	2,938
Rises	1,002	978	1,398
Falls	1,177	1,256	867
Unchanged	766	709	673
New Highs	50	71	55
New Lows	43	33	39

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Mar	486.25	485.50	-0.95	486.25	485.20	77,749	176,482
Jun	-	490.45	..	-	-	10,118	42,592
Nikkei 225							
Mar	16850.0	17080.0	+70.0	17110.0	16820.0	23,222	85,793
Jun	16870.0	17170.0	+120.0	17170.0	16870.0	10,395	79,510

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

WORLD STOCK MARKETS

AMERICA

Dow recovers after Fed's intervention

Wall Street

US shares were near their levels of Thursday's close in spite of falling bond and currency markets, *writes Lisa Bransten in New York.*

The Dow Jones Industrial Average initially fell by more than 30 points as the dollar hit an all time low against the Japanese yen, but it came off its lows later to be down 2.77 at 3,977.16 by 1 pm. The Standard & Poor's 500 fell 0.71 at 484.42 and the American Stock Exchange composite was up 0.55 at 453.61. Meanwhile, the Nasdaq composite rose 2.68 at 796.36. Volume on the NYSE was 190m shares.

In the early afternoon the long bond was off almost a full point with its yield nearly 7.56 per cent as the dollar hovered near its Thursday lows. Just before 11 am, the dollar touched a new record low against the Japanese yen at Y94.06. The dollar was also substantially lower against the D-Mark before the Federal Reserve intervened to bolster the value of the currency.

Economic data gave mixed signals about the strength of the economy. Manufacturers' orders rose 0.6 per cent in January, due mainly to a 1.1 per cent increase in orders for durable goods.

The commerce department's index of leading economic indicators for January, however, was unchanged from December's levels, which was generally in line with expectations.

Mr Joseph Liro of SG Warburg Research in New York said that "the indicators continue to point to a further economic expansion, but at a somewhat slower pace than registered in 1994".

National Gypsum rose $⅛ at $50⅜ after the construction materials company said that it would reject an offer from BPB Industries to purchase the company for $48½ per share because of the possibility of a better offer.

America Online gave up part of the strong gains seen on Wednesday and Thursday as its shares lost $4⅞ at $85⅞.

American depository receipts of Luxottica Group lost $6⅞ at $32⅞ after the Italian maker of spectacle frames said that it had made a bid to purchase US Shoe. US Shoe gained 32 per cent, rising $6 to $24⅞ on the news.

ADRs of Mexican companies posted steep losses amid continued political and economic uncertainty. Telmex lost $1 at $26, Grupo Televisa $1¼ at $14, Empresas ICA was $⅝ lower at $4⅞ and Grupo Tribasa lost $⅝ to $5⅝.

Canada

Toronto stocks were depressed by queasy North American debt markets, the TSE 300 index at midday losing 3.19 at 4,078.02 in 27.7m shares valued at C$374.00m.

Declining issues outpaced advances, 283 to 218, with 300 stocks unchanged. Consumer products led sectors with a 37.53 rise to 6684.73; decliners included banking, utilities, and gold.

Spar Aerospace rose C$1 to C$13¼ in 225,000 shares after the company returned to profit in the fourth quarter.

Latin America

Argentine equities were 7 per cent lower in local currency terms in early trading after interbank rates opened at 50 per cent, a rise of 250 basis points, and there were rumours that the peso would be devalued at the weekend.

The Merval index was off 20.56 at 261.22, its lowest level since June 1991. Turnover was 8m pesos.

The biggest losers were among the leading blue chips, such as Molinos, the food group, Telefonica, Bagley, which makes biscuits, and Irsa, the property developer, all down by 10 per cent.

Brazil added to Thursday's 8 per cent drop with the Bovespa index in São Paulo off 4.5 per cent by midday in light turnover. The index was marked down 1,335 at 28,556 in turnover of just R$88.4m ($103m).

Telebras preferred had fallen 5.8 per cent to R$21.10, Electrobras was quoted at R$156, off 5.4 per cent and Petrobras lost 5.7 per cent at R$74.50.

Mexican stocks were down 1.6 per cent in very thin turnover by mid-morning. The IPC index was off 25.18 at 1,491.9 in volume of 3.2m shares.

Telmex L shares were down 2.2 per cent, and its A series was unchanged.

Uncertain future still awaits Hong Kong

Investors are muted, writes Simon Holberton

In a town where professional optimists are as thick on the ground as a plague of locusts in summer, Hong Kong's money men are uncharacteristically muted about the stock market's prospects.

It has been a bruising six months or so for the market and even the rise of more than 16 per cent in the Hang Seng index of leading blue chip companies since the end of January has not been enough to assuage the pain.

"We don't think it's a screaming jump-up-and-down buy," says Mr Archie Hart, head of research at Crosby Securities, a local brokerage. "We just think it's not too bad."

If February's recovery from the Mexico-induced slump of the New Year was enough to lift most analysts out of the doldrums, the investing public's scepticism has proved more resilient.

A recent survey of US investment trusts showed that trusts investing in Asia/Pacific (ex-Japan) had only 22 per cent of their funds in Hong Kong, against a neutral weighting of more than 30 per cent.

One of the "neutral" ones is Mr Ian McEvatt, chief executive of Indosuez Asset Management Asia. "We're doing nothing dramatic," he says. However, the outlook for the market has brightened somewhat.

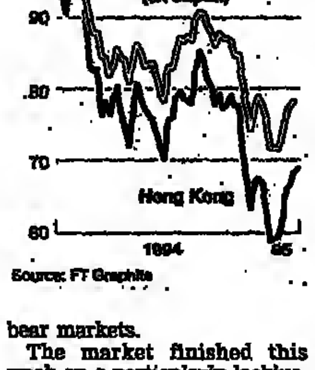
The settling of the US/China trade dispute over intellectual property protection last weekend removed one negative factor which was weighing on the market. This week's budget, delivered by Sir Hamish Macleod, was also neutral to positive for sentiment.

Sir Hamish forecast growth in Hong Kong's gross domestic product at 5.5 per cent (after inflation), the same rate of expansion as that achieved last year. Within the total there is expected to be some reshuffling of the components of growth, with personal consumption contributing a little less to expansion this year than last year, and exports contributing rather more.

At the same time there has been a gradual change in perceptions regarding the Chinese economy.

A few months ago the situation to many appeared dire, with inflation rising sharply and the state-owned corporate sector unable to remain afloat without constant injections of public money. Growth in prices has moderated and, even if problems with the state sector are just as intractable as before, Armageddon scenarios are no longer heard as frequently.

But, to some, February's recovery appears to be not much more than one of the mini-rallies which punctuate bear markets.



The market finished this week on a particularly lacklustre note, for which the debacle at Baring Brothers cannot be held responsible. The Hang Seng index closed down 68.18 at 8,185.15 in turnover of a mere HK$2.3bn, for a week's loss of 0.4 per cent.

S G Warburg Securities Asia is expecting little from the market this year. "The market got oversold and it deserved to bounce," says Mr Danny Truell, Warburg's head of research for Hong Kong and China. "Now that is has bounced it's difficult to find the good news to push it on from here."

Hong Kong, capitalised at some $244bn compared with $175bn for Malaysia, the region's next largest market, has a 1995 prospective p/e of 8 times earnings compared with a 1994 estimate of 10.1 times. Crosby Securities estimates earnings growth for 1995 at 15.6 per cent, compared with a forecast 17.2 per cent for 1994.

Mr Truell reckons that the market will trade in line with sentiment towards the outlook for US interest rates.

Most in Hong Kong would agree with Mr Truell. Where he and others part company is over his view about the second half of the year. He holds that once the market has absorbed the good news about interest rates, it will then focus on 1996 and discover that the outlook is less than bright.

Mr Truell thinks that banks and property companies will have only modest earnings growth to report in 1996. As the two sectors make up a sizeable proportion of aggregate Hong Kong earnings (60 per cent), their poor performance will cap that of the market as a whole.

Others do not think the outlook for property is quite that bad. Although the office sector does look shaky, the residential property market will be underpinned by a disequilibrium of supply and demand in the developers' favour.

Mr Hart points out that some 32,000 flats were added to Hong Kong's housing stock last year, but that the government, which usually errs in an optimistic direction, expects just 24,100 to be built this year and 26,100 in 1996. Demand for flats runs in excess of 30,000 a year.

Adding to his growing confidence are reports that buyers have returned to the residential market.

Hang Lung, a leading developer, recently pre-sold 400 units of a new development in two weeks. "This is the best performance by a property company in a year," he said.

He believes that if the stock market is efficient, then it ought to discount the coming turn in the US interest rate cycle and Hong Kong's current property woes, and pick up.

"The whole market is a warrant on US interest rates and the property market is a warrant on the warrant," Mr Hart concludes.

EUROPE

Cyclical and defensive stocks suffer alike

US currency and bond market weakness depressed continental bonds and equities, *writes Our Markets Staff*, cyclicals and defensive stocks suffering alike in some cases.

ZURICH fell 1.2 per cent, with industrials pressured by the dollar near an all-time low against the Swiss franc, and most financials hurt by worse than expected 1994 results from CS Holding. The SMI index lost 30.7 to 2,586.5 for a 1.4 per cent fall on the week.

CS Holding lost SFr18 to year's low of SFr500, having recovered from SFr495, as the full year figures, announced after the market closed on Thursday, prompted a number of analysts to downgrade the stock. Bearers in SBC, which reports on March 15, lost another SFr10 to SFr326 but UBS bearers picked up SFr1 to SFr1,061 with investors reportedly switching to the stock from the other two big banks.

Against the trend, Swissair picked up SFr5 to SFr745 after the Belgian government said that the Swiss airline planned to take a large, though not majority, stake in Sabena.

FRANKFURT moved from slight to more pronounced weakness, the Ibis-indicated Dax closing 22.48 lower at 2,094.16 after hours, 1.1 per cent down on the week, after 2,109.49 on the session. Turnover rose from DM5.5bn to DM5.7bn.

A fall of 28 basis points in the June bund future was reflected in banks where Commerzbank fell DM5.20 to DM339.10 and Deutsche Bank by DM12.50 to DM714.80, each of them showing a strong deterioration after hours.

Among car manufacturers, BMW fell DM10.20 to DM754 and Daimler DM10.60 to DM694.40; Mr Frank Jonuschat of James Capel said that there had been a trend away from cyclicals, and from carmakers in particular.

There was also widespread weakness in engineers where Deutsche Babcock hit a new low for the year, down DM7.40 at DM180 ahead of results expected to reflect further restructuring provisions.

PARIS fell back sharply during the afternoon and the CAC-40 index, which had been holding the 1,800 level at mid-session, finished 12.11 lower at 1,795.24, down 0.5 per cent on the week.

Suez went against the trend, adding FFr7.80 or 3.4 per cent to FFr238.80 on reports that BNP, down FFr4.80 at FFr232.20, had raised its stake to 7 per cent.

Crédit Lyonnais saw its CI's add 20 centimes to FFr326.80 as the government announced that the restructuring plan for the state-owned bank would be revealed in "a few weeks".

AMSTERDAM had additional pressures as the AEX index fell 3.52 to 405.60, off 1.2 per cent on the week.

ING, in negotiations to buy Barings, the collapsed UK merchant bank, dipped 10 cents to Fl 80.30 as Standard & Poor's placed its rating on the subsidiaries of the Dutch bank and insurance group on credit watch with negative implications. ABN-Amro, tipped earlier in the week as the favourite overseas bidder for Barings, lost 60 cents to Fl 59.70.

The weak dollar hit Philips, down 40 cents to Fl 54.30, Unilever, off Fl 2.70 to Fl 197.70, DSM down Fl 3.40 at Fl 132.80 and Akzo Nobel, off Fl 2.70 at Fl 192.70. Polygram was the only blue chip to rise, gaining Fl 1.60 to Fl 83.60.

MILAN fell 1.4 per cent, facing renewed political turmoil after Mr Silvio Berlusconi's Freedom Alliance unexpectedly announced that it would not, after all, support the government's budget package. The Comit index lost 8.85 to 629.36, little changed on the week.

Mr William Cowan at James Capel noted that although the parliamentary arithmetic was still unclear, the Alliance's decision put the approval of the budget at risk. "This would be extremely serious, creating major constitutional problems. The situation is is already having a severe impact on the country's financial markets."

Foreign held banks and telecommunications issues were among the hardest hit. Telecom Italia lost L142 to L3,929 and Stet was L88 down at L4,570 while BCI gave up L68 at L3,592.

MADRID chose a bad day for the Spanish cabinet to approve the privatisation of up to 15 per cent more of the oil group, Repsol. The shares fell Pta55 to Pta3,670 as the general index lost 2.71 at 281.22, virtually flat on the week.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Mar 3 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Clos
FT-SE Eurotrack 100	1287.88	1288.28	1289.54	1289.57	1290.46	1289.70	1284.88	1283.08
FT-SE Eurotrack 200	1363.89	1363.53	1366.60	1365.40	1368.74	1368.24	1364.73	1361.12

	Mar 2	Mar 1	Feb 28	Feb 27	Feb 24
FT-SE Eurotrack 100	1296.79	1303.42	1283.53	1287.77	1303.66
FT-SE Eurotrack 200	1368.81	1368.14	1363.77	1359.77	1370.13

Base 1000 (26/10/90); Highday: 100 - 1294.61; 200 - 1368.87 Lowday: 100 - 1282.73 200 - 1358.84 † Partial

SOUTH AFRICA

Johannesburg was mixed as the rally in industrials slowed and golds fell on worries that the metal would pare recent gains over the weekend. The overall index finished 11.6 weaker at 5,231.2, industrials firmed 10.5 at 6,541.5 and golds lost 17.1 down at 1,479.0.

ASIA PACIFIC

Profit-taking fails to stem Nikkei

Tokyo

Share prices fluctuated on bargain hunting and arbitrage unwinding, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index rose 76.44 to 17,039.62, after a low of 16,792.30 and a high of 17,122.46. The Topix index of all first section stocks rose 8.16 to 1,362.34, while the Nikkei 300 added 1.86 to 251.09. Advances led declines by 572 to 425, with 169 unchanged.

Arbitrage unwinding and profit-taking triggered by the rise in the yen to the Y95 level depressed share prices in early trading. However, investment trust funds, foreigners and corporate investors later bought high-technology stocks in small lots.

Volume totalled 300m shares against 328m. Worries over the Barings crisis dissipated, due to reports that most of the bank's futures positions had been unwound. But concerns over the yen and the political wrangling over the bailout of the two credit unions discouraged some institutional investors.

In London, the ISE/Nikkei 50 index fell 4.44 to 1,110.24.

Investors bought high yield stocks ahead of annual dividends at the end of the March. Electric utilities were popular, with Tokyo Electric Power up Y40 to Y2,610 and Kansai Electric Power adding Y70 to Y2,260.

High technology stocks were lower in the morning on the rising yen, but ended higher on buying by overseas investors. Hitachi rose Y8 to Y888 and Fujitsu added Y11 to Y900. Matsushita Electric Industrial rose Y40 to Y1,460, but Sony fell Y50 to Y4,450.

In Osaka, the OSE average rose 98.41 to 19,023.65 in volume of 165.6m shares. Machinery stocks were sought, with Shima Seiki up Y150 to Y5,900 and Murata Mfg adding Y110 to Y3,540.

Roundup

Individual domestic influences drove regional markets. Singapore, Kuala Lumpur, Jakarta and Karachi were closed.

TAIPEI was boosted by preliminary approval for three new securities finance houses to begin business, the weighted index closing up 86.44 points at an intra-day high of 6,516.83, down 1.2 per cent on the week.

Turnover was T$36.11bn.

SEOUL closed higher as buying of recent laggards continued.

The composite stock index added 4.54 to 907.96, little changed on the week; the collapse of the Doksan Group and market talk on more debt default cases limited gains.

Hyundai group shares were in demand on the growing belief that the conglomerate had improved its relations with the government. Hyundai Engineering and Construction went limit up, gaining Won1,300 to Won36,300 and Hyundai Motor added Won200 to Won39,300.

HONG KONG continued its consolidation and the Hang Seng index eased 43.63 to 8,253.33, still 0.4 per cent higher over the week. Turnover shrank to HK$2.6bn from $3.7bn on Wednesday.

HSBC Holding rose 25 cents to HK$81 but Hang Seng Bank fell 20 to $48.30.

BOMBAY saw renewed speculative buying towards the close, erasing early losses to end 21.04 higher at 3,528.36.

COLOMBO closed 1.3 per cent up, domestic investors prominent as the CSE all share index rose 10.97 to 833.07.

SYDNEY was dragged down by a weaker futures market, the All Ordinaries index closing 13.3 lower at 1,902.4, 0.5 per cent down on the week, as the index futures contract ended 27 lower at 1,910.

Brokers said that the resources sector slowed the general decline.

WELLINGTON was led lower by the dual-listed food group, Goodman Fielder, which finished 11 cents down at NZ$1.34 after a 3.4 per cent fall in first half pre-tax operating profits.

The NZSE-40 index closed 18.13 lower at 1,980.50, down 1 per cent on the week.

BANGKOK shied at a rise in bank rate, and at the falling dollar, giving up 1.5 per cent on the day and 2.5 per cent on the week. The SET index was 19.58 lower at 1,262.33 in moderate turnover of Bt4.9bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY MARCH 2 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY MARCH 1 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	164.61	0.5	153.58	100.11	124.96	148.40	-0.1	3.97	163.85	153.89	100.20	124.79	148.51	180.82	157.95	171.00
Austria (16)	187.18	0.5	174.61	113.84	142.09	142.18	0.2	1.14	186.31	174.78	113.94	141.90	141.88	198.89	167.46	185.46
Belgium (35)	173.08	0.1	161.46	105.26	131.38	128.37	-0.2	4.30	172.86	162.15	105.71	131.65	128.59	177.04	161.53	164.90
Brazil (28)	119.76	-7.4	111.72	72.83	90.91	187.93	-6.9	1.77	129.29	121.28	79.07	98.47	201.82	-	-	-
Canada (103)	125.66	-2.8	117.22	76.42	95.38	127.89	0.1	2.73	126.39	118.55	77.29	96.26	127.78	141.01	120.54	133.50
Denmark (33)	263.37	0.3	245.69	160.17	199.92	207.90	0.0	1.48	262.49	246.22	160.53	199.92	207.85	275.27	236.61	281.18
Finland (24)	183.21	-1.6	170.91	111.42	139.07	171.86	-2.1	1.18	186.11	174.57	113.82	141.75	175.65	201.41	133.88	144.21
France (101)	164.86	0.3	153.81	100.27	125.16	132.84	0.0	3.25	164.34	154.15	100.50	125.18	132.58	181.44	157.79	172.29
Germany (58)	151.68	0.1	141.45	92.22	115.10	115.10	-0.2	1.82	151.42	142.04	92.60	115.33	115.33	151.63	128.94	128.94
Hong Kong (56)	336.75	-0.7	314.14	204.80	255.63	334.28	-0.7	3.82	339.07	318.07	207.37	258.26	336.58	419.14	277.40	400.92
Ireland (15)	214.75	0.0	200.33	130.60	163.02	191.51	-0.2	3.40	214.74	201.44	131.33	163.56	191.84	218.60	177.56	185.77
Italy (58)	73.84	-2.4	68.88	44.91	56.05	91.65	-1.2	1.70	75.66	70.99	46.28	57.64	92.78	97.78	67.25	71.91
Japan (484)	141.21	2.6	131.73	85.88	107.19	85.88	2.1	0.89	137.58	129.04	84.13	104.76	84.13	170.10	138.95	158.28
Malaysia (97)	488.07	0.0	455.30	296.83	370.50	479.80	0.0	1.77	488.07	457.83	298.49	371.74	479.80	594.76	398.16	318.05
Mexico (18)	798.94	-1.3	745.29	485.88	606.47	5175.62	-1.0	2.10	809.42	759.26	495.01	616.48	5225.78	2414.12	752.84	2209.65
Netherland (19)	226.43	0.4	211.22	137.70	171.88	169.24	0.1	3.55	225.62	211.64	137.98	171.84	169.14	227.30	191.28	196.76
New Zealand (14)	73.08	-0.5	68.17	44.44	55.47	61.21	-0.8	4.82	73.45	68.90	44.92	55.94	61.56	77.20	62.05	69.77
Norway (23)	210.62	-0.5	196.39	128.08	159.81	184.42	-0.8	2.11	211.60	198.48	129.41	161.16	185.84	216.03	177.53	200.01
Singapore (44)	353.58	-0.1	329.82	215.02	268.39	236.04	-0.2	1.91	353.99	332.08	216.49	269.62	236.45	401.38	294.66	338.46
South Africa (59)	309.77	0.5	288.97	188.39	235.14	265.07	0.3	2.55	308.18	289.03	188.44	234.68	264.14	342.00	205.55	243.58
Spain (38)	134.78	1.0	125.73	81.97	102.31	131.43	1.7	4.32	133.48	125.21	81.63	101.66	129.26	150.21	124.67	140.07
Sweden (46)	239.18	-1.6	223.10	145.45	181.54	259.74	-1.2	1.84	243.07	228.01	148.65	185.13	263.01	247.40	198.70	214.88
Switzerland (47)	173.39	0.1	161.73	105.44	131.61	133.21	0.0	1.83	173.20	162.47	105.92	131.92	133.20	173.38	149.91	157.72
Thailand (46)	147.22	-0.3	137.34	89.54	111.76	142.45	-0.3	2.98	147.64	138.49	90.29	112.45	142.91	-	-	-
United Kingdom (204)	195.53	0.5	182.40	118.92	148.43	182.40	-0.1	4.31	194.60	182.54	119.01	148.22	182.54	205.58	181.11	199.29
USA (513)	196.62	-0.1	165.28	120.79	150.77	196.62	-0.1	2.85	198.91	186.58	121.64	151.49	198.91	189.82	178.95	189.12
Americas (692)	181.81	-0.2	169.41	110.45	137.86	152.36	-0.2	2.83	182.06	170.78	111.34	138.66	152.89	-	-	-
Europe (720)	172.45	0.1	160.87	104.87	130.90	148.87	-0.1	3.18	172.27	161.60	105.36	131.21	149.08	176.01	160.59	166.29
Nordic (126)	230.30	-1.1	214.84	140.06	174.82	209.78	-1.1	1.69	232.93	218.49	142.45	177.41	212.10	235.72	197.70	207.76
Pacific Basin (809)	150.18	2.2	140.09	91.33	114.00	96.87	1.7	1.27	146.97	137.86	89.88	111.94	94.28	176.86	145.93	165.66
Euro-Pacific (1529)	159.36	1.2	148.66	96.92	120.97	118.22	0.6	2.13	157.42	147.66	96.27	119.90	115.24	175.14	154.73	165.77
North America (616)	194.10	-0.2	181.07	118.04	147.34	193.83	-0.1	2.64	194.42	182.37	118.90	148.07	194.10	195.36	175.67	185.67
Europe Ex. UK (516)	155.97	-0.1	145.49	94.85	118.39	129.83	-0.2	2.55	158.14	146.47	95.49	118.92	129.14	158.12	144.12	145.44
Pacific Ex. Japan (325)	237.09	-0.1	221.17	144.19	179.97	210.26	-0.3	3.24	237.44	222.73	145.21	180.85	210.91	273.13	211.19	257.27
World Ex. US (1737)	159.55	1.1	148.83	97.03	121.11	119.18	0.8	2.15	157.80	148.02	96.51	120.19	118.25	176.65	155.42	166.96
World Ex. UK (2046)	168.93	0.7	157.59	102.74	128.23	138.78	0.5	2.21	167.83	157.43	102.64	127.82	138.10	178.59	163.46	170.82
World Ex. Japan (1766)	188.84	-0.1	176.16	114.84	143.35	177.89	-0.2	2.98	189.02	177.31	115.60	143.97	178.15	192.00	176.34	184.37
The World Index (2250)	171.27	0.6	159.77	104.16	130.01	142.67	0.4	2.41	170.18	159.64	104.08	129.62	142.06	180.80	165.92	173.32

Latest prices were unavailable for this edition. Market closed 2/3/95: Malaysia.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Apr	Jul	Oct	Puts Apr	Jul	Oct
Allied Domecq	500	22½	30	41½	8	22	23
(*511)	550	3	8½	18½	39½	51½	51½
Argyll	280	14	17	22	16½	16½	19½
(*280)	300	6	10	14	22½	30	32
ASDA	60	9	11	11½	-	1	2
(*68)	70	1½	8	8	3	4½	6
Brit Airways	360	34	42	47	2½	10	14
(*388)	390	13½	23½	30	12½	23	27
SmKl Bchm A	500	17	30½	41	13	23½	28
(*506)	550	2½	12	20½	50	55	56½
Boots	460	25	34½	41	4½	15	17½
(*477)	500	8	14½	21½	25½	37½	39
BP	390	16	26	33	6½	11½	16½
(*399)	420	8½	12	18½	23½	27	32½
British Steel	140	19½	18	21½	1	3	4½
(*153)	160	3	7½	10½	9	12	13½
Bass	500	24	33½	44½	7½	13	21½
(*511)	550	4	12	21½	39	47½	50
Cable & Wire	360	24½	33	41	8	13½	16½
(*376)	390	8	17½	26	19½	29	31½
Courtaulds	420	20	30½	39	9½	21	25½
(*427)	460	5	13½	22½	34½	40½	50
Comm Union	483	24½	-	-	14	-	-
(*511)	543	3	-	-	50½	-	-
ICI	650	41	62½	81	9½	18	23
(*681)	700	19	26	35	34½	40½	48
Kingfisher	420	25	33	42½	11	16	22
(*438)	460	6	16	28	37	42	44
Land Secur	550	48	53	57	1½	11½	13½
(*590)	600	11	28	26	17½	35	38
Marks & S	360	22	29	34½	3	9½	12
(*376)	390	8	12½	18	17	25	27½
NatWest	460	35½	48	54½	5	10½	17
(*487)	500	11½	25	33	21	27	35
PowerGen	460	36½	48	53	3	11½	15½
(*491)	500	14	23½	31	17½	30	34
Sainsbury	390	28½	35	41	2	11	13
(*412)	420	9½	17½	25	13	24½	27
Shell Trans.	650	47	60½	60½	4½	10½	18
(*694)	700	8½	20½	32	27½	32½	38½
Std Chartd	240	26½	28	33	4½	9½	12½
(*259)	260	8½	17	23	13½	16½	21
Storehouse	200	18	22½	25	½	5	8
(*215)	220	6½	10½	14	7½	13½	14½
Trafalgar	60	6½	5½	10½	1½	3	4
(*63)	70	1½	6½	8	7½	6½	9½
Unilever	1150	37	63	82	22½	32	41
(*1173)	1200	12	30½	56	54	60½	80
Zeneca	850	33½	54	69	26½	38	46
(*868)	900	13½	32	47	59	67	74
Option		May	Aug	Nov	May	Aug	Nov
Grand Met	360	29½	35½	41½	4½	9	11
(*381)	390	12	18½	24½	16	21½	24½
Ladbroke	160	17	22	24½	3	5½	7½
(*175)	180	6	11	14½	12	15	17½
Utd Biscuits	330	16½	22	26½	15½	20	24
(*335)	360	8	11	15	37	40	43
Option		Mar	Jun	Sep	Mar	Jun	Sep
Fisons	140	12½	20½	24½	1	8½	10½
(*151)	160	2	11	16	10	18½	21
Option		May	Aug	Nov	May	Aug	Nov
Brit Aero	448	32	-	-	12	-	-
(*471)	487	13	-	-	32	-	-
BAT Inds	420	21	28	34	17½	25½	29
(*431)	460	6	13	16½	45	51½	53½
BTR	300	17	24	28½	7½	11	18
(*314)	330	4½	10½	14½	26½	24	32½
Brit Telecom	360	29	32	35½	4½	10½	14½
(*375)	390	8½	15½	20	18	28	30
Cadbury Sch	409	34	44½	-	8	9	-
(*432)	447	12½	22½	-	20½	25½	-
Eastern Elec	700	36½	51	68½	25	44	50½
(*700)	750	19	29½	37½	58	75	80½
Guinness	390	33½	39	43½	5	8½	11½
(*419)	420	13	21½	26½	18	22½	25

Option		Calls May	Aug	Nov	Puts May	Aug	Nov
SEC	280	19	24	27	4	10	12
(*290)	300	8	12½	16½	13½	20½	22½
Hanson	220	16½	21½	23½	2	5½	7½
(*233)	240	6½	10½	13	10½	14½	17
Lasmo	140	16	19	22½	2½	4½	8½
(*152)	160	4½	8½	11½	12½	14	15
Lucas Inds	180	16	16	19	6½	11½	15½
(*181)	200	3½	8	11	22½	24½	27½
P & O	550	27	36½	41½	16½	22	28
(*567)	600	6½	15½	26½	52	54½	59
Pilkington	180	12	14½	18	3½	6½	8
(*187)	200	2½	5½	8½	14½	17½	18
Prudential	300	12½	20½	23	11	14½	18½
(*307)	330	2	8	11½	33½	35	37½
RTZ	750	21½	41	51	29½	37	45
(*751)	800	8	21½	31	67	70	76½
Redland	420	18½	28	30½	18½	28	31
(*427)	460	4	11	16	51	54½	57½
Royal Insce	280	11½	17	21½	15½	20½	24½
(*281)	300	6	10	14	30½	33	37
Tesco	240	17	20½	23½	5½	8	10½
(*251)	260	5½	10½	14	18	18½	21
Vodafone	180	16½	20½	25	4½	7½	10
(*190)	200	6½	11	16½	14½	16	28
Williams	300	33	36	38	3	7	10½
(*328)	330	11	17½	21	13	20	24½
Option		Apr	Jul	Oct	Apr	Jul	Oct
BAA	420	26½	34½	41	4½	11	14
(*438)	450	8½	-	-	17	-	-
Thames Wtr	480	30½	40½	44½	3	15½	20
(*483)	500	6½	18½	24	22	37	41½
Option		Mar	Jun	Sep	Mar	Jun	Sep
Abbey Natl	420	21½	28	35	4	13½	16½
(*440)	460	½	8	17	34	28	42
Amstrad	150	17	21½	-	-	3	-
(*166)	175	1	6½	-	9½	13½	-
Barclays	600	12	27½	39½	13	27	35½
(*606)	650	-	10	20½	58½	61	67
Blue Circle	280	18	18	24	2½	13½	16½
(*287)	300	1½	8	18½	14	25½	30
British Gas	280	11	18	21	1	9	12
(*289)	300	1	7½	11½	11	20½	23
Dixons	200	8	16½	20	2	8	12½
(*205)	220	1	7½	11	15	18½	25
Hillsdown	160	18½	19	21	-	4	6½
(*176)	180	1½	6½	10	6½	14	17
Lonrho	140	8½	14	18	1	5½	8½
(*145)	160	-	5½	7	15	17	18½
Natl Power	420	37½	46	56½	-	7	10½
(*455)	460	9½	21½	27	7½	28	27
Scot Power	330	7	20½	26½	4½	13½	20½
(*332)	360	-	8	14	28	31½	39
Sears	90	8	10½	12	-	2	3
(*98)	100	1½	4	6½	2	6½	7½
Forte	220	17½	21½	27	-	6½	6½
(*236)	240	4	16	16	8	16½	18
Tarmac	100	6½	11½	14	1	5	7
(*100)	110	1	7	9½	5½	11	12½
Thorn EMI	1000	31	60½	74	4	16½	37
(*1025)	1050	6½	35½	46	26½	42½	63
TSB	220	16	20	26½	½	7	10½
(*235)	240	3½	14½	19½	8	15½	19½
Tomkins	220	13	21½	26½	1	5½	10
(*232)	240	1½	10½	15	8	14	20½
Wellcome	1000	51½	60½	90½	5½	20	22½
(*1041)	1050	22	28	33	33½	46½	47
Option		Apr	Jul	Oct	Apr	Jul	Oct
Glaxo	650	23½	50	62	16½	26½	41
(*658)	700	9½	27	38	47	58	69
HSBC 75p shs	600	46½	59	72½	14½	25	35½
(*643)	650	17	33½	48	41	50½	60
Reuters	420	28½	38½	48½	5½	15½	18½
(*441)	460	7	18	28½	30½	37	39
Option		May	Aug	Nov	May	Aug	Nov
Rolls-Royce	140	14	18	20	3	8	7
(*151)	160	4	8½	11	14½	16½	17½

* Underlying security price. Premiums shown are based on settlement prices.
March 3. Total contracts: 38,484 Calls: 19,471 Puts: 18,993

FT GOLD MINES INDEX

	Mar 2	% chg on day	Mar 1	Feb 28	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1763.28	+0.1	1760.76	1730.51	1984.23	2.26	2337.56	1637.91
Regional Indices								
Africa (16)	2540.50	-2.1	2595.63	2578.51	2855.68	5.37	3711.87	2304.45
Australasia (7)	1950.23	-0.9	1968.47	1984.45	2439.38	0.84	2961.49	1788.20
North America (11)	1423.11	+1.7	1398.96	1448.90	1694.71	0.79	1911.21	1348.18

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines index: Feb 28: 186.2 ; day's change: -2.5 Year ago: 210.5 † Partial.
PLEASE NOTE: Predecessor Gold Mines Index discontinued 28/2/95.

RISES AND FALLS

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	1	54	18	172	91	102
Other Fixed Interest	1	5	8	18	20	34
Mineral Extraction	29	107	100	202	436	535
General Manufacturers	90	139	448	478	771	2,139
Consumer Goods	28	56	137	195	245	865
Services	58	139	396	370	816	1,805
Utilities	14	23	13	106	89	31
Financials	45	140	233	311	677	1,095
Investment Trusts	33	130	426	414	758	1,775
Others	11	62	23	137	235	124
Totals	306	856	1,772	2,401	3,939	8,323

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	February 20	Expiry	June 1
Last Dealings	March 8	Settlement	June 15

Calls: Alliance Res, Caverdale, Jacobs (JI), London Merch Defd, Mid-States, NHL Ord, North West Water, Ovoca Res, Trafficmaster. Puts: Herring Baker. Puts & Calls: NHL Ord, Utd Biscuits, Yorkshire Chem.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§10	F.P.	16.5	13¼	12¼	Bath Press	12½		-	-	-	-
-	F.P.	28.5	128	128	Colleagues	128		-	-	-	-
§125	F.P.	21.1	131	128	GET Group	128		N-	-	-	11.1
-	F.P.	22.1	87	84	Inv Tst of Inv Tsts	85		-	-	-	-
-	F.P.	2.91	59	56	Do. Warrants	56		-	-	-	-
-	F.P.	28.2	55	48¾	Lazard Bkrs India	50½	+¼	-	-	-	-
-	F.P.	3.04	32½	28	Do Warrants	28¼	-¼	-	-	-	-
35	F.P.	22.1	36	34	MCIT 8 Cap	34		-	-	-	-
35	P.P.	23.4	36	36	MCIT 8 Inc	36		-	-	-	-
150	F.P.	15.6	160	150	Photobition	165		RN6.0	2.0	4.9	11.1
-	F.P.	4.40	11¼	10½	Wessex Trust	11		-	-	-	-
145	F.P.	63.8	178	170	Zotefoams	178	+2	W4.65	2.1	3.3	17.8

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994/95 High	Low	Stock	Closing price p	+or-
-	P.P.	-	196pm	165pm	Cadbury Schws Cv Ln	194pm	+2
335	P.P.	-	73pm	64pm	Dalgety Cv Ln 1995	69pm	-4
87	Nil	29/3	22pm	13pm	Euro Colour	21pm	-1
118	Nil	-	1pm	¼pm	Natl. Home Lns.	¼pm	
90	Nil	15/3	4pm	1pm	‡Shorco	1pm	-½
50	Nil	10/4	4pm	2pm	Torex Hire	2½pm	

FINANCIAL TIMES EQUITY INDICES

	Mar 3	Mar 2	Mar 1	Feb 28	Feb 27	Yr ago	*High	*Low
Ordinary Share	2301.6	2311.3	2312.5	2286.2	2297.0	2563.9	2713.6	2238.3
Ord. div. yield	4.58	4.56	4.55	4.66	4.65	3.62	4.66	3.43
Earn. yld. % full	7.17	7.14	7.13	7.18	7.18	4.81	7.18	3.82
P/E ratio net	16.49	16.56	16.59	16.48	16.54	22.45	33.49	16.48
P/E ratio nil	16.02	16.09	16.12	16.00	16.06	28.53	30.60	16.00

*For 1994/5. Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2306.9	2302.8	2302.4	2306.6	2308.1	2310.6	2310.6	2304.2	2299.2	2312.1	2298.0

	Mar 3	Mar 2	Mar 1	Feb 28	Feb 27	Yr ago
SEAQ bargains	19,828	21,304	20,467	20,840	21,030	25,883
Equity turnover (£m)†	-	1635.0	1582.2	1478.5	1052.5	1444.7
Equity bargains†	-	28,575	27,229	27,247	27,925	29,547
Shares traded (m)†	-	594.5	574.8	562.2	383.3	521.3

†Excluding intra-market business and overseas turnover.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and *settled through the Stock Exchange* Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 4.2(a) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ɸ Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £121¾ 122⅞ 122⅞

Corporation and County Stocks

Bristol(City of) 11½% Red Stk 2008 - £115¾ (28Fe95)

Dudley Metropolitan Borough Council7% Ln Stk 2016 (Reg)(F/P) - £80 (27Fe95)

Leicester City Council 7% Ln Stk 2019(Reg) - £80 (27Fe95)

UK Public Boards

Foreign Stocks, Bonds, etc- (coupons payable in London)

Sweden(Kingdom of) SC200m 8¾% Debt Instr 29/12/99 - SC97.65 (24Fe95)

Sterling Issues by Overseas Borrowers

Australia(Commonwealth of) 9½% Ln Stk 2012(Reg) - £102 (27Fe95)

Bank of Greece 10¾% Ln Stk 2010(Reg) - £97¾ɸ 8ɸ

Denmark(Kingdom of) 13% Ln Stk 2005 - £128⅞ (27Fe95)

Electricite de France 12½% Gtd Ln Stk 2008(Reg) - £126¾ (27Fe95)

European Investment Bank 9% Ln Stk 2001 (Reg) - £100⅞ 1⅛

European Investment Bank 9½% Ln Stk 2006 - £105⅞ (1Mr95)

European Investment Bank 10⅝% Ln Stk 2004(Reg) - £109⅝

European Investment Bank 11% Ln Stk 2002(Reg) - £111⅞

New Zealand 11¾% Stk 2008(Reg) - £118⅞ (24Fe95)

Nova Scotia(Province of) 11⅜% Ln Stk 2019 - £118½

Portugal(Rep of) 9% Ld Stk 2016(Reg) - £98.37 ⅞ (24Fe95)

Spain(Kingdom of) 11⅜% Ln Stk 2010(Reg) - £118⅞ (27Fe95)

Sweden(Kingdom of) 13.5% Ln Stk 2010(Reg) - £131¼ (27Fe95)

Listed Companies(excluding Investment Trusts)

AECI Ld 5½% Cum Prf R2 - R25.45 (27Fe95)

ASH Capital Finance(Jersey)Ld 9½% Cnv Cap Bds 2006 (Reg Units 100p) - £57 (27Fe95)

Aberdeen Trust PLC A Wts to Sub for Ord - 46 (27Fe95)

Abtrust Atlas Fund Shs of NPV(United States Portfolio) - £2.216178 (27Fe95)

...

Subord Bds 2007(Reg £5000) - £131.68 2

Caterpillar Inc Shs of Com Stk $1 - $50 ¼

Cheltenham & Gloucester Build Soc 11¾% Perm Int Bearing Shs £50000 - £117¼ ⅛ .3 (24Fe95)

Churchbury Estates PLC 9% Uns Ln Stk 2000 - £70 (1Mr95)

City Site Estates PLC 7% Cnv Uns Ln Stk 2005/06 - £82 (28Fe95)

Clayhithe PLC 9.5% Subord Cnv Uns Ln Stk 2000/01 - £90 1 2½ (27Fe95)

Coastal Corporation Shs of Com Stk $0.33 1/3 - $28¾ (27Fe95)

Coats Patons PLC 6¾% Uns Ld Stk 2002/07 - £81

Coats Viyella PLC 4.9% Cum Prf £1 - 54

Cohen(A.) & Co PLC Non.V "A" Ord 20p - 465 (28Fe95)

Colman(E.Alec)Investments Ld 8% Uns Ln Stk 91/96 - £95 (1Mr95)

Commercial Union PLC 8⅞% Cum Irrd Prf £1 - 102¼

Commercial Union PLC 8¾% Cum Irrd Prf £1 - 109¾ ⅛

Co-Operative Bank PLC 9.25% Non-Cum Irrd Prf £1 - 110¼ ⅞ ⅞

Cookson Group PLC 4.9% Pfd Ord 50p - 30 (1Mr95)

Cookson Group PLC 4.9% Cum Prf £1 - 70

Cooper (Frederick) PLC 6.5p (Net) Cnv Red Cum Ptg Prf 10p - 80 4

...

Investment Trusts

USM Appendix

Suspended Securities

Rule 4.2(a)

...

Unicorn Inns PLC Ord 25p - £1 (27Fe95)

Unimed PLC Ord Ir£0.25 - £1.65 (28Fe95)

United Business Group PLC Ord £1 - £0.55 (28Fe95)

Vista Entertainments PLC Ord 5p - £0.0025

Wadworth & Co 9¼% Cum Prf £1 - £1.045

Wedderburn Securities PLC Ord 5p - £0.09

Weetabix Ld "A" Non.V Ord 25p - £21

Winchester Multi Media PLC Ord 5p - £0.8 (27Fe95)

Young Group PLC Ord 10p - £0.01375 (28Fe95)

RULE 2.1 (a)(v)

Bargains marked in securities (not falling within Rule 2.1 (a)(i)) where the pricipal market is outside the *UK and Republic of Ireland* .

Altel Corp $27⅞ɸ (24.2)

Allstate Explorations 00 (1.3)

Bank of East Asia HK$21.05ɸ,20.763889 (1.3)

Beach Petroleum 4

Boise Cascade 31⅞ɸ (24.2)

Cadbury Schweppes Australia A$6.82 (1.3)

Centaur Mining & Exploration A$0.520794

City Developments S$7.213989,7.268742

Dainippon Screen Manufacturing Y829.67,831.1383 (28.2)

Dynatech $36 (1.3)

East Coast Minerals A$0.486

Futuris Corp 48 (28.2)

Greenvale Mining A$0.3579

Hysan Development HK$15.770865,16.01715

National Electronics Hldgs. 2 (1.3)

Murray & Roberts $24.12 (28.2)

North Flinders Mines A$7.44 (28.2)

Oil Search 40 (1.3)

Pretoria Portland Cement £14.88ɸ (1.3)

Regal Hotels HK$1.43 (27.2)

Selangor Properties RM2.89 (28.2)

Sensormatic Electronics $28.065ɸ28.10406ɸ (1.3)

Walhalla Mining 3½ (1.3)

Wallace Computer Services $32⅛

Westfield Minerals 40 (28.2)

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FT-SE ACTUARIES INDICES

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LONDON STOCK EXCHANGE

MARKET REPORT

Dollar weakness unsettles blue chip sectors

By Terry Byland, UK Stock Market Editor

The misfortunes of the US dollar replaced Barings, the collapsed UK merchant bank, as the chief factor overshadowing the Londno stock market yesterday.

Shares in Britain's blue chip, dollar-earning companies, looked unsettled as the US currency plumbed oew post-war lows against the yen.

Renewed pressures on the merchant banking sector reflected the City's dismay at the revelations now emerging daily of Barings' problems in controlling its overseas derivatives business.

It was another dispiriting session for the FT-SE 100 Share Index which moved within a fairly narrow range before closing at 3,025.1, for a net loss on the day of 13.1 points. London rallied in the closing minutes from the day's low of 3,020, responding to the Dow Industrial Average which recovered its early loss of 18 points in UK trading hours.

For much of the session, the lead came from the London derivatives market where the March contract on the Footsie Index often traded at a discount to the cash market, steadying only at the end of tha day.

Second line stocks were again neglected by private investors, who were waiting for markets to settle down. At its closing reading of 3,391.4, the FT-SE Mid 250 Index was 5 points off. This Index has underperformed against the FT-SE 100 Index this week.

About 60 per cent of the day's Seaq trading volume of 454.8m shares was in non-Footsie shares. On Thursday, outside investors traded 563.8m shares, worth £1.84bn.

Losses among the market leaders were not large and such big names as British Petroleum, BOC, Unilever, BAT Industries and Hanson closed firmer on the day. The big international funds believe that only a rise in US interest rates will drive speculators away from the dollar, and such a move is not thought imminent.

Mr Ian Harnett at Strauss Turnbull commented that the US authorities may be happy to see the competitive gain for US industry from dollar weakness.

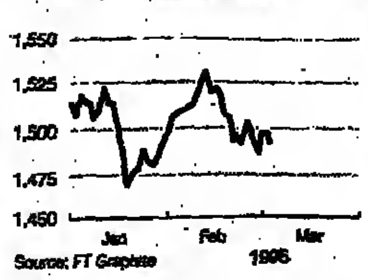
UK stocks are believed to be attractive, particularly to Continental European investors, on valuatioo grounds. International investors bave kept out of London this week, more because of the political factors unsettling the pound than the concerns over the Barings situation.

The Loudoo market has fallen by only 12.6 points on the Footsie scale over a week which began with the Barings collapse, progressed to the UK government's narrow victory in the House of Commons vote on European policy, and ended with the new plunge in the US dollar.

While still clearly nervous, UK equities have held on to their cureot trading range and avoided undue selling pressure.

Analysts sounded confident ahead of Monday's opening, which will bring first dealings in the new National Power and PowerGeo shares. Next week will also see the deadline for Glaxo's £9bn plus bid for Wellcome, the largest deal so far brought before the London market.

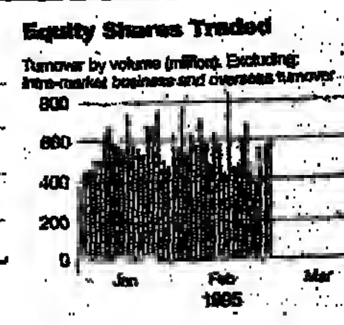
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE Mid 250	3391.4	-5.0
FT-SE-A 350	1510.5	-5.5
FT-SE-A All-Share	1493.40	-5.17
FT-SE-A All-Share yield	4.18	(4.17)
FT Ordinary Index	2301.6	-9.7
FT-SE-A Non Fins p/e	16.90	(16.98)
FT-SE 100 Fut Mar	3025.0	-9.0
10 yr Gilt yield	8.68	(8.62)
Long gilt/equity yld ratio:	2.09	(2.09)

FT-SE 100 Index

Closing index for Mar 3	3025.1
Change over week	-12.6
Mar 2	3038.2
Mar 1	3041.2
Feb 28	3009.3
Feb 27	3025.3
High*	3047.4
Low*	2998.2

*Intra-day high and low for week

TRADING VOLUME IN MAJOR STOCKS

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
3i†	208	348		Lonrho	1,000	145	-3
ASDA Group†	5,900	66¾	-¾	Lucas	818	181	+2
Abbey National†	4,100	440		MEPC†	620	390	+3
Albert Fisher	383	42		MFI	7,200	110	-5
Allied Domecq†	1,200	512	-4	Manweb	75	815	+1
Anglian Water	708	482	+1	Marks & Spencer†	1,300	376½	-2½
Argos	208	344		Midlands Elect.	48	743	+4
Argyll Group†	3,000	280	-2	Morrison (Wm.)	76	140	
Arjo Wiggins†	341	247½	-½	NFC	1,400	171	+2
[illegible]				[illegible]			

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures showed a bit more life after their sleepy Thursday session, notching up 12,701 lots and continuing to trade fairly actively in late-screen based dealings, *writes Jeffrey Brown.*

However, dealers said that transactions mostly remained small and that, with the FT-SE 100 March contract expiring in two weeks, roll-over volumes had begun to build noticeably as traders switched their attention to the June contract.

At the close of pit trading, the March contract was 3,025, down nine points. This represented a premium to the cash market of one point, or broadly fair value. On the week, the contract showed a net decline of two points.

Trading in Amstrad and Fisons dominated the options market, where total Liffe volume was little changed at 38,193 lots. Amstrad saw 3,836 lots dealt and Fisons 3,359. Wellcome and BT were also actively dealt.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3028.0	3025.0	-9.0	3045.0	3009.0	13655	47897
Jun	3034.0	3031.5	-9.0	3049.0	3019.5	2904	19787
Sep	3052.0	3055.0	-9.0	3052.0	3052.0	100	165

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3390.0	3390.0	-5.0	3390.0	3390.0	22	3077
Jun		3410.0	-5.0			0	1042

■ FT-SE 100 INDEX OPTION (LIFFE) (*3024) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Mar	177	3	130	4½	88	11	48	23½	22	45	7	85½	2	135	1	185
Apr	188½	14½	146	23½	107½	37	76½	56½	51	80½	31½	111½	17	147½	9	190
May	201	24½	164	37	128½	50½	99½	71	73	95	51	123	35½	158	22	198
Jun	212	35	175½	47½	142½	63½	113	83	87½	108	65½	138	48½	189½	34	205½
Dec†			288½	93			204½	129½			158	179½			112	238

Calls 8,016 Puts 10,333

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Mar	152	2	105½	5½	65½	15½	33½	33½	12½	62½	3½	103	1½	150½	1	200
Apr	163½	19	125½	30	91½	46	64	68	42	95½	28	129	14½	167½	8	210
May	184	29	146½	41½	113	58	84	78	60½	105½	41½	138½	27½	172½	17½	212½
Jun	198½	43	162	58	130	75	102	95	78½	121½	58½	150½	42½	183	38	220
Sept			207	81½			148	117			97½	185			82½	228

Calls 2,120 Puts 3,869 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 30 1994 based on Friday March 3 1995

Pharmaceuticals	+9.75	Banks, Merchant	-1.82	Media	-3.22
Household Goods	+5.82	Non-Financials	-1.82	Engineering	-3.48
Life Assurance	+4.12	FT-SE-A All-Share	-1.84	Mineral Extraction	-3.56
Insurance	+3.30	Support Services	-2.04	FT-SE-A Fledgling	-4.01
Health Care	+3.13	FT-SE-A 350 Lower Yield	-2.15	FT-SE-A Fledgling ex IT's	-4.08
Consumer Goods	+2.53	Gen Industrials	-2.22	Utilities	-4.14
Diversified Industrials	+1.97	Property	-2.38	Investment Trusts	-4.61
Electronic & Elect Equip	+1.79	FT-SE SmallCap ex IT's	-2.48	Retailers, General	-4.96
Oil Exploration & Prod	+1.76	Leisure & Hotels	-2.54	Engineering, Vehicles	-4.89
Paper, Pckg & Printing	+1.22	Transport	-2.71	Building Matls	-5.58
Food Producers	+1.10	Water	-2.71	Spirits, Wines & Ciders	-8.19
Retailers, Food	+0.59	FT-SE Mid 250 ex IT's	-2.84	Electricity	-8.25
Tobacco	-0.05	Oil, Integrated	-2.98	Chemicals	-6.27
Financials	-1.28	FT-SE SmallCap	-3.00	Gas Distribution	-7.47
FT-SE 100	-1.32	Banks, Retail	-3.02	Textiles & Apparel	-7.48
FT-SE-A 350 Higher Yield	-1.38	Breweries	-3.08	Building & Construction	-8.00
FT-SE-A 350	-1.74	FT-SE Mid 250	-3.15	Extractive Industries	-8.54
Telecommunications	-1.75	Services	-3.19	Distributors	-8.94

FT - SE Actuaries Share Indices — The UK Series

[illegible]	[illegible]

■ FT-SE Actuaries All-Share

[illegible]	[illegible]

■ Hourly movements

[illegible]	[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]	[illegible]

Financial sector on alert

The merchant banking and stockbroking sectors were alive with fresh rumours of big lnsses io derivatives/forex/bood and equity markets which prompted speculatioo that London could be the scene of a wave of mergers and takeovers.

Takeover speculation concerningSmith New Court, first beard at mid-week, suddenly resurfaced causing its shares to surge to a record 497p. shortly after the outset of trading. At the close they were 26 higher at 486p, a rise of 44 on the week.

The market's latest favourite to bid for Smith, according to dealers, is Schroders, the largest UK merchant bank in terms of market capitalisation. Schroders, with its investment management arm and highly successful corporate finance divisions, has long been viewed by analysts as a perfect partner for Smith.

"Schroders lacks a top-quality research, distribution and equity trading arm and Smith is all and more of these," said ooe observer. Schroders slipped 28 to 1445p.

The Schroders rumours came hard on the beels of mid-week stories – subsequently denied – that Rothschild, the UK merchant bank had sold its 27 per cent stake in Smith to Deutsche Bank, which is in the process of building its European capital markets business via Morgan Grenfell, the merchant bank bought in 1989. Dresdner Bank was another put forward as a possible bidder for Smith.

Other merchant banks were hit for the second day running by worries that the Barings collapse may hava caused liquidity problems among the UK merchant banks. Hambros was the victim of a bear raid yesterday, losing 5½ to 211p.

Power plays

A utilities sector bracing itself for first-day trading on Monday in the new shares in National Power and PowerGen was alive with stories of potential takeover bids and special situations.

National Power closed 5¼ off at 456¼p while PowerGen were 2 off at 492p. Turnover in the latter was 3.1m and in the former 4.4m.

Takeover speculation continued in tha regional electricity companies with Yorkshire, long regarded as the next bid target for any number of potential suitors, finally 2 higher at 850p.

A more intriguing story emerging towards the close of business was that Scottish Power would launch a 625p a share bid for Northern Ireland Electricity on Monday morning. Northern Ireland shares edged up 2 to 344p. Scottish held at 332p.

BT easier

News that Nynex Cablecomms UK is undercutting BT call charges by 25 per cent was the catalyst for a sharp decline in BT shares, which took third place in the list of FT-SE 100 underperformers.

BT shares closed 6 down at 376p, a fall of 1.6 per cent, with dealers noting heavy selling pressure in the stock. Turnover of 12m was well above usual levels of activity in the shares.

The stock was additionally unsettled by news that Goldman Sachs, the US investment bank, had taken the shares off its recommended list.

Textiles shares added to recent underperformance, following a profits warning from Dawsoo International and a currency led shake-out for sector leader Coats Vyella. Dawson tumbled 12½ to a new low for 1994-95 of 96½p in heavy 2.9m turnover. At Coats, the market focused on the weak dollar and the group's 35 per cent foreign sales ratio. Coupled with spiralling raw material costs – cotton has jumped 15 per cent since December – this left the shares 6 lower at 169p.

Shares in drugs group Fisons continued to attract buyers on speculation that a bid for the group is now more likely. The shares gained another 5½ to 151½p.

In chemicals, ICI followed the market trend easing 5 lower to 691p. Lehman Bothers turned more positive yesterday, moving the stock from a sell to a neutral recommendation and also raising profit estimates.

Turnover in BTP, the chemical manufacturer, rose to 9.7m as the rump of its one-for-six rights issue announced last month, was placed with institutions. The issue bad attracted a 91.6 per cent take up. The shares hardened 3 to 250p.

Delta cootinued to suffer from worries about cables trading, retreating 17 to 421p for a two-day decline of 27. There was talk yesterday of possible problem contracts, and signs that some analysts had begun to shade their 1994 profit forecasts. The company reports on March 14.

Henlys provided motor distributors with a further instalment of good news, and the shares jumped 10 to 269p. At £16.1m, Henlys' profits were at least £2m ahead of analysts estimates, the dividend was a penny better than expected and earnings in the first two months of 1995 were "substantially ahead".

HTV jumped 9½ to 153p following an add note from NatWest Securities. The shares have outperformed the market as a wbole by more than a tenth since January. NatWest sees HTV as a low cost broadcaster capable of strong earnings growth.

A buy oote on P&O from Nomura Securities failed to pull the shares out of their receot rut. It predicts compound earnings growth of 19 per cent over tha next four years and votes the shares – down 5 at 567p yesterday – a clear buy at the bottom of their 550-740p past trading range.

British Airways' 5.9 per cent improvement in traffic flows for February were in line with estimates and the shares eased 4 to 388p in 2.8m trades. Channel tunnel operator Eurotunnel continued to wilt, shedding 5 to 266p for a decline of more than 7 per cent this week.

Fears of stiff competition for high street retailer Dixons left the shares 5 lower at 205½p, in trade of 4m, after Thorn EMI confirmed it had sold 231 Rumbelows electrical shops to Escom, the German computer manufacturer and retailer.

MFI Furniture fell 5 to 110p, as analysts downgraded profit expectations following the release of a cautious trading statement. Hoare Govett was among many brokers to reduce profit expectations.

Tate & Lyle gave up 6 to 421½p, as UBS and Strauss Turnbull became the latest brokers to turn negative on the stock.

NEW HIGHS AND LOWS FOR 1994/95

NEW HIGHS (18).
BANKS, RETAIL (1) Irish Permanent, BLDG MATLS & MCHTS (1) Grafton, ELECTRNC & ELECT EQUP (1) TLG, ENGINEERING (2) Lincat, Meckle Int'l, ENG. VEHICLES (2) ERF, Lookers, INVESTMENT TRUSTS (2) Finsbury Smlr. Co's Zero Pf., TR Technology Zero Pf., OTHER FINANCIAL (1) Smith New Court, RETAILERS, GENERAL (1) Hampden, SUPPORT SERVS (2) Business Post, Sage, WATER (2) Dee Valley, South Staffs.
NEW LOWS (140).
GILTS (2) BANKS, MERCHANT (2) King & Shaxson, Union, BANKS, RETAIL (1) BUILDING & CNSTRN (9) Birse, Countryside Props., Donelon Tyson, Lovell (Y.J), McCarthy & Stone, Persimmon, Prowting, Tilbury Douglas, Wilson Bowden, BLDG MATLS & MCHTS (5) Hepworth, Meyer Int'l, Polypipe, Sycamore, Wolseley, CHEMICALS (1) Metrotect Inds., DISTRIBUTORS (3) Brown & Tawse, European Motor, Perry, DIVERSIFIED INDLS (1) Hanson Wrnts., ELECTRNC & ELECT EQUP (3) Bowles Hunter, Delta, Telemetrix, ENGINEERING (1) Smethwick, EXTRACTIVE INDS (14) FOOD PRODUCERS (4) Bols Wessanen, Borthwicks, Continental Foods, SeaPerfect, HOUSEHOLD GOODS (1) Cornwell Parker A, INVESTMENT TRUSTS (13) INVESTMENT COMPANIES (23) LEISURE & HOTELS (4) Airtours 8%p Cv. Pf., CentreGold, Courtyard Leisure, Prism Leisure, MEDIA (4) Cassell, Goodhead, Holmes Marchant, Trinity Int'l., OIL EXPLORATION & PROD (4) Command Ptrlm., Coplex Res., Evergreen Res., Vanguard Ptrlm., OIL, INTEGRATED (3) Petrofina, Total B, OTHER FINANCIAL (3) Berry Birch & Noble, IAF, Secure Trust, PAPER, PACKG & PRNTG (4) Bowater 7¾pc Cv Pf., Inveresk, Lawson Mardon, Serif, PROPERTY (8) RETAILERS, GENERAL (5) House of Fraser, MFI, Rossbys, Smith (WH), Sothebys, Upton & Southern, SUPPORT SERVS (3) British Data Management, Kalamazoo Computer, Macro 4, TEXTILES & APPAREL (4) Coats Viyella, Dawson Int'l, Lamont, Parkland, TRANSPORT (3) AMERICANS (2) CANADIANS (2).

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises

Adscene	285	+	9
British Biotech	465	+	16
Copyright Prom	115	+	19
Cussins Prop	86	+	6
Elbief	18	+	4
Fisons	151½	+	5½
HTV	153	+	9½
Hampden Group	38	+	3
Henlys	269	+	10
Policy Portfolio	78	+	8
Regina	2½	+	¾
Smith New Court	486	+	26

Falls

Bensons Crisps	18	-	2
Continental Foods	77	-	8
Countryside Props	87	-	7
Dawson Int	96½	-	12½
Delta	421	-	17
Filtronic Comtek	238	-	6
HSBC (75p shs)	644	-	15
Lovell (YJ)	40	-	4
MFI Furniture	110	-	5
Merivale Moore	52	-	3
Persimmon	164	-	8
Scottish Radio	244	-	9

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

[illegible]	[illegible]

LONDON SHARE SERVICE

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29	—	£34	£13½	1,894	2.5	21.2
Barlow	♣	£5¾	—	£5¾	£3¾	1,138	1.7	21.1
Gold Flds Prop R		143½	—	152	75	14.8	7.2	Φ
NK Props		65	—	98	85	3.42	13.6	-
SASOL	♥	477	—	582	280	2,751	2.8	-
SA Brews	†	£14¾	—	£16¾	£10	4,111	1.0	24.0
Tiger Oats		775	—	838	538	1,186	1.3	18.8
Tongaat-Hulett	†h	762	—	*782	356¼	894.5	1.8	23.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
s Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
z Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
S Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

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FINANCIAL TIMES
Weekend March 4/March 5 1995

Lira plunges as Berlusconi drops support for package

Italy's mini-budget in balance

By Robert Graham in Rome

Italy's rightwing political grouping headed by Mr Silvio Berlusconi, ths former prime minister, yesterday dramatically reversed a conditional pledge to support the mini-budget planned by the government of Mr Lamberto Dini, his successor.

Within minntes the lira fell almost 15 points against the D-Mark, touching an historic low of L1,170, and government bond prices fell sharply. The spread between the yield on 10-year Italian and German government bonds, which was 4.5 percentage points in December, widened to 6 points as investors demanded higher returns to compensate for the perceived risk of investing in Italy.

On Wednesday, after almost a week's indecision, Mr Berlusconi's coalition had declared it would back the L20,000bn ($12.3bn) package of budgetary measures, largely tax increases. The package is essential to bring the 1995 budget – prepared by Mr Berlusconi's administration under whom Mr Dini served as treasury minister – within its targeted deficit of 8 per cent of gross domestic product.

However, Mr Berlusconi also etipulated that Mr Dini must introduce his promised reform of state pensions within a matter of weeks by assuming special legislative powers. This would mean bypassing any discussion with the unions and leaving little initiative to parliament. By thus speeding up the process, it would allow a general election to be held in June, which Mr Berlusconi had demanded.

Yesterday Mr Dini refused openly to endorse this approach in discussing the mini-budget before the Senate. His refusal was interpreted by Mr Berlusconi and his allies as a move to sustain the life of the current parliament and ignore their request for June elections. This then appeared to trigger their aggressive response.

A special meeting of the Berlusconi coalition issued an exceptionally tongh communiqné which not only attacked Mr Dini's administration as betraying the popular will but criticised the nature of the financial package which relies heavily on raising taxes.

By doing this, Mr Berlusconi appeared determined to provoke a general election as soon as possible, regardless of the consequences on the financial markets. Since he was forced from office last December, Mr Berlusconi has pressed for a snap election and has demanded a June deadline.

The Dini government, composed of non-parliamentarians, will find it hard to carry through its limited mandate against the hostility of Mr Berlusconi and his allies. There is due to be a vote on the mini-budget in the Senate on Tuesday and in the chamber of deputies on Thursday, leaving little time for negotiation.

The key vote will be in the lower chamber where Mr Dini has never had a clear majority since he took office in January.

Dollar slides to a new low

Continued from Page 1

tial for an "avalanche" of dollar sales if US asset markets start to weaken. Analysts said the central banks appeared more concerned about the pace of the dollar's fall, rather than its level.

The scale of the central bank support appeared fairly modest. New York traders estimated that the Federal Reserve had spent about $700m-$900m by midday in New York, with an additional $1bn to $1.5bn snpport from Europe.

Mr Robert Rubin, the US treasury secretary, waited for more than two hours after US markets opened before issuing a statement saying "a strong dollar is in our national interest".

Earlier, Mr Hans Tietmeyer, the Bundesbank president, indicated that the German central bank bought dollars in support of the Federal Reserve and because it had no interest in excessive currency fluctuations.

However Mr Neil MacKinnon, chief economist at Citibank in London, said: "The Bundesbank'e role today was purely a token political gesture.".

Mexico's fallen president starts hunger strike protest

By Leslie Crawford in Mexico City

Mr Carlos Salinas de Gortari, Mexico's former president, began a hunger strike yesterday in an attempt to absolve himself from accusations of bungling economic policy and of obstructing an investigation into the murder last March of the ruling party's presidential candidate.

The hunger strike, which follows the arrest this week of his elder brother on murder charges, has earned Mr Salinas a new nickname in Mexico: *Gandhinas*. He even bears a passing resemblance to the late Mahatma Gandhi, although it is doubtful whether the Indian leader would heve fasted to defend the parity of the rupee.

"It is a question of personal honour to have these matters cleared up," Mr Salinas said in a late-night telephone call to a television station on Thursday.

"I ask [the present government] to acknowledge the error committed in devaluing the peso in December ... and the independence of the judicial inquiries.

"For the truth to be known, I am willing to sacrifice the most valuable thing I possess – my life."

Until he pulled out this week, Mr Salinas was a candidate to head the new World Trade Organisation, set up to oversee the world's trading system.

Friends of Mr Salinas say he decided to go on hunger strike after receiving discreet requests from President Ernesto Zedillo'e government to leave the country.

They say Mr Salinas is devastated by the arrest of his brother, Raúl, on charges of masterminding the September assassination of Mr José Francisco Ruiz Massieu, the Institutional Revolutionary party's secretary-general.

He has also been wounded by accusations that the government he led until December 1 covered up the murder of the ruling party's presidential candidate, Mr Luis Donaldo Colosio, and that he deliberately ruled out an earlier devaluation of the currency to protect his prestige and land the WTO job.

Mr Salinas broke all the unwritten rules of Mexican presidential successions this week by launching a vociferous campaign in defence of his tarnished reputation.

Instead of accepting the brunt of the blame for Mexico's economic debacle, and fading quietly into oblivion as former presidents have done before him, Mr Salinas has chosen to go down fighting. Many believe he could yet drag Mr Zedillo with him.

US president Bill Clinton yesterday backed Mr Zedillo, saying at a White House news conference: "He's moving in the right direction. Mexico plainly is moving in the direction of more democracy, more openness."

However, the financial markets continued to put pressure on the new president. The peso fell in afternoon trading to near its all-time lows at 6.325 to the dollar, from 6.025 at Thursday'e close. The stock market was down 1.38 per cent.

SFO launches Barings probe

Continued from Page 1

at the Bank of England established after the Bingham inquiry into the collapse of the Bank of Credit and Commerce International, to conduct inquiries.

The Bank said the board had asked for an initial fact-finding investigation of Barings offices in London, Singapore, Osaka and Tokyo, which would be conducted in co-operation with international supervisors.

It said the board had asked for the fact-finding stage "to be completed as quickly as possible". The board would then go on "to consider urgently the implications for supervisory and regulatory arrangements".

Both main opposition parties stepped up pressure for a fully independent inquiry capable of examining the Bank of England's role in Barings' collapse.

"It is not just a matter of what happened at Barings, but also what systems now exist in relation to the rest of the banking system," said Mr Alistair Darling, Labour's City spokesman.

Mr Eberhard Kempf, Mr Leeson's lawyer in Frankfurt, said he "suspected" that Mr Leeson possessed "information that could harm others at Barings".

The decision by the SFO and City of London police to launch a probe apparently followed a request by senior executives at Barings. The SFO said it would investigate fraud allegations "insofar as they might relate to England".

The SFO said it had "no plans" to seek the extradition of Mr Leeson to the UK.

UK vote on hunting ban

Continued from Page 1

Prevention of Cruelty to Animals welcomed the result. "The mood of parliament has obviously changed dramatically on this issue. It is now just a matter of time before wild animals get full protection under the law."

However, that victory may be some time off. Supporters of field sports promised strong opposition to the bill when it goes into committee. Bills put forward by individual MPs are always vulnerable to being talked out by filibustering opponents.

Dr Charles Goodson-Wickes, a Conservative MP and chairman of the British Field Sports Society, would not be drawn on the tactics opponents intend to use. But he warned: "The bill will be vigorously objected to. It will not become law." To avoid failure at the committee stage, Mr McFall is to ask the government to take over the legislation – a move that would probably guarantee its passage.

However, this was ruled out by Mr John Major, the prime minister, on Thursday. Hunting was a matter for individual conscience and the government would remain neutral, he said.

Mr McFall's bill is thus likely to fail. However, with yesterday's vote indicating a change of attitude among MPs, the issue is not going to disappear. Labour MP Mr Tony Banks, an animal rights supporter, warned the pro-hunting lobby: "We will never go away. Our determination is absolute. It is stronger than those who support this sport."

THE LEX COLUMN

Firewalls, not fire-sales

FT-SE Eurotrack 200: 1361.1 (-7.7)

A rogue trader and sloppy management are clear culprits in the Barings saga. The question is whether sleepy regulators should be added to the list. After all, the argument runs, regulators were responsible for vetting Barings' control systems; and if they did not know the controls were inadequate, they were failing in their jobs.

The Bank of England and other regulators have tough questions to answer. And it is a shame the body investigating what went wrong will include three Bank of England directors. It is still not too late for the British government to set up e fully independent investigation, as it did when BCCI went bust.

Still it would be a mistake to think foolproof banking regulation is possible or desirable. Even the extreme solution of putting a regulator by every trading desk throughout the world would not guarantee thet no risks were taken. What it would do is tie financial markets in knots.

The whole saga must also be kept in perspective. Barings' bankruptcy has not caused e domino collapse, though other merchant banks may find it harder to raise funds on as good terms. And if ING of the Netherlands buys the wreckage for £1, it is possible depositors will not lose out either.

On the other hand, one cannot help having e queasy feeling. Depositors could still be damaged. And what if Barings had been a clearing bank and the losses had been 10 times as large? One cannot really view that prospect with equanimity. The hope must be that Barings' collapse leads to regulatory changes that keep such e risk within acceptable limits.

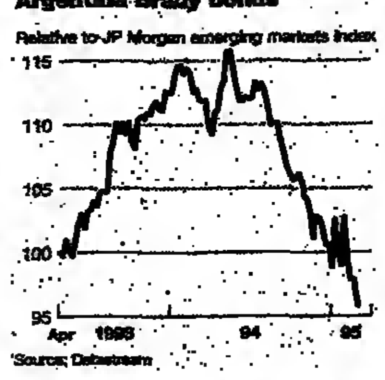
The most promising answer is to erect firewalls to stop losses from a bank's trading arm dragging down the rest of the group. In Barings' case, if Mr Nick Leeson had merely run up massive trading losses the group might have been able to let his operation go bust. The problem was the bank forwarded hundreds of millions of pounds to pay the margin calls on his futures contracts. Barings' asset management arm was also contaminated because it had money on deposit.

A starting point would be to prevent banks lending large amounts of money to their trading arms. The existing rules limiting a bank's lending to a single counterparty to more than a quarter of its capital should be extended clearly to cover in-house securities arms. There is also a case for limiting the proportion of a fund management group's investments that can be deposited with a single bank, though it is not compelling. Exactly how to erect such firewalls is currently a hot topic of debate in the US, given plans to repeal the Glass-Steagall Act which prevents commercial banks owning securities houses.

Such firewalls would, of course, have costs. The biggest is that the securities arms of commercial banks would face higher costs of capital, since they would no longer be able to trade on their parents' credit ratings. But one reason the parents enjoy such good ratings is that most governments implicitly guarantee their largest banks. If erecting firewalls meant banks could not draw on subsidised capital to engage in high-risk trading, that would be no bad thing.

Argentina Brady bonds

Relative to JP Morgan emerging markets index



Source: Datastream

Currencies

Nothing is more futile than central banks intervening when the fundamentals are against them. True, intervention can prove effective, as was demonstrated last autumn. But that success was because US interest rates were rising, the Republicans had conquered Congress, and Gatt had just been ratified.

This time there is little to support the dollar: efforts to balance the US budget have been botched, US interest rates are seen as topping out while German rates are bottoming, and Japanese institutions continue to dispose of dollar assets as they struggle with stuttering economic growth. The dollar's weakness is exacerbated by the D-Mark's strength. That is underpinned by the political turmoil elsewhere in Europe, best exemplified by yesterday's melodrama in Rome which knocked Italian bonds and the lira so hard.

If the failure of intervention is unsurprising, there seems little chance the central banks will launch more effective action. Neither the Bank of Japan nor the Bundesbank is likely to loosen monetary policy. And the Federal Reserve appears more concerned about managing a soft recovery than the dollar's value: yesterday's intervention had more to do with the rate of decline than the dollar's actual level. With central banks unwilling to change monetary policy, the US currency can find support only when it has fallen far enough to tempt back investors. Until then, the downward ride is likely to prove uncomfortable.

Argentina

Argentina should avoid Mexico's fate, despite the gathering storm clouds. With a current account deficit of about 4 per cent of gross domestic product, its economic fundamentals are far better than Mexico's. But the outflow of funds prompted by the Mexican crisis is straining the banking system's liquidity. One company's failure to pay interest on its commercial paper debt last week has fuelled fears that a spate of corporate defaults could cause a banking crisis.

The crucial question in Argentina is whether the currency's convertibility can be maintained. The government does not lack determination. It is prepared to pay the price of soaring overnight rates, which exceeded 50 per cent on Friday, and may call on the last tranche of its International Monetary Fund loan. The government should be able to stave off devaluation, even if it means exchanging pesos for dollars on a massive scale.

Nevertheless, despite this week's sharp declines, Argentina's bond and stock markets are not good value. The stellar performance of emerging markets until last year depended on heavy capital inflows, first from specialist fund managers and then from mainstream institutions. But the Mexican debacle has prompted the US mutual fund industry to slash asset allocation to emerging markets. High short-term rates may force local banks to liquidate their own holdings, further pushing down prices. With privatisation revenues dropping and interest and principal payments on bonds falling due, the benefits of the huge inflow of foreign capital at the start of the decade have suddenly evaporated.

FT WEATHER GUIDE

British Isles

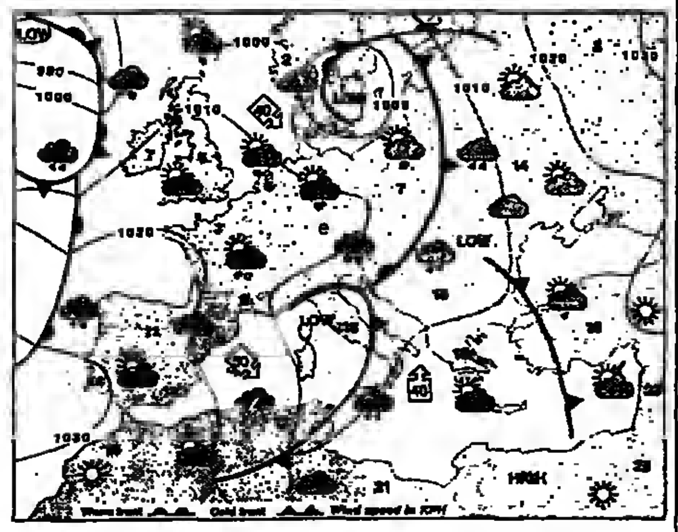
A ridge of high pressure will bring some sunny spells to Ireland in the morning and to the UK during the afternoon. Following this, a frontal zone, associated with a depression south-west of Iceland, will bring rain to western Ireland in the afternoon. North-west Scotland will have southerly winds up to gals force, while over the North Sea there will be moderate north-westerly winds. Temperatures will range from 3C in northern Scotland to 7C in the south-west.

Continent

The vigorous depression which brought snow to the UK on Friday, will weaken as it moves into southern Sweden. As e result, Sweden and Finland can expect cloud and some snow. The UK, the Benelux and northern Germany will have sunny spells interspersed with showers. North-western areas of the continent might have showers mixed with hail or snow and France could have some hail. Italy and north-west Spain will have rain. North-eastern Algeria can expect showers, some thundery. The Alps, southern Italy and eastern Europe will have cloud and outbreaks of rain.

Five-day forecast

A low pressure system along the boundary between sub-tropical air and polar air will track southwards, bringing unsettled conditions to the Mediterranean. Polar air will support near-seasonal temperatures and bring wintry showers at times to north-western Europe. More arctic air will move into northern Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum C	F
Abu Dhabi	cloudy	23	74
Accra	fair	33	92
Algiers	thund	11	52
Amsterdam	hail	7	45
Athens	fair	18	65
Atlanta	shower	15	59
B. Aires	fair	25	77
B.ham	fair	6	43
Bangkok	fair	36	97
Barcelona	fair	12	54
Beijing	fair	11	52
Belfast	rain	8	43
Belgrade	fair	18	65
Berlin	fair	8	47
Bermuda	shower	21	70
Bogota	cloudy	21	70
Bombay	sun	32	90
Brussels	shower	6	43
Budapest	rain	10	50
C.hagen	shower	6	43
Cairo	sun	25	77
Cape Town	fair	27	81
Caracas	cloudy	29	84
Cardiff	fair	6	43
Casablanca	fair	16	61
Chicago	fair	3	38
Cologne	fair	7	45
Dakar	fair	24	75
Dallas	cloudy	18	65
Delhi	sun	23	74
Dubai	cloudy	23	74
Dublin	cloudy	7	45
Dubrovnik	rain	15	59
Edinburgh	fair	5	41
Faro	fair	17	63
Frankfurt	fair	7	45
Geneva	rain	5	41
Gibraltar	sun	18	65
Glasgow	fair	5	41
Hamburg	hail	7	45
Helsinki	snow	3	38
Hong Kong	fair	20	68
Honolulu	fair	26	79
Istanbul	shower	16	61
Jakarta	shower	31	88
Jersey	fair	6	43
Karachi	cloudy	27	81
Kuwait	cloudy	23	74
L. Angeles	shower	18	65
Las Palmas	cloudy	20	68
Lima	fair	28	83
Lisbon	cloudy	16	61
London	sun	6	43
Lux.bourg	snow	3	38
Lyon	rain	5	41
Madeira	cloudy	18	65
Madrid	fair	11	52
Majorca	fair	13	56
Malta	fair	16	61
Manchester	fair	7	45
Manila	cloudy	31	88
Melbourne	fair	32	90
Mexico City	fair	22	72
Miami	fair	25	77
Milan	shower	13	56
Montreal	cloudy	-1	30
Moscow	cloudy	8	47
Munich	shower	3	38
Nairobi	shower	28	83
Naples	rain	14	57
Nassau	fair	27	81
New York	cloudy	6	43
Nice	sun	12	54
Nicosia	sun	23	74
Oslo	cloudy	1	34
Paris	hail	7	45
Perth	fair	25	77
Prague	fair	5	41
Rangoon	fair	34	93
Reykjavik	snow	1	34
Rio	fair	28	83
Rome	shower	13	56
S. Frsco	shower	16	61
Seoul	fair	5	41
Singapore	shower	28	83
Stockholm	snow	6	43
Strasbourg	shower	6	43
Sydney	shower	24	75
Tangier	fair	15	59
Tel Aviv	sun	26	79
Tokyo	cloudy	12	54
Toronto	fair	0	32
Vancouver	shower	9	48
Venice	fair	11	52
Vienna	sleet	5	41
Warsaw	cloudy	8	47
Washington	cloudy	4	39
Wellington	cloudy	18	65
Winnipeg	cloudy	-19	-2
Zurich	snow	4	39

Weekend FT

The last days of the meat trade

Alan Clark believes the animal welfare issue has gained such momentum that big business would do well to listen

Until recently, the subject of animal welfare (I deliberately eschew the term rights, although I believe human beings do have obligations towards other forms of life) fell into two parts.

In *one* was the *contentious* topic of "blood sports"; a high profile dispute symbolic of class war, town versus country, violence in contention with pageantry.

It was here that publicity could be guaranteed, that the battle lines were clearly set out, and that argument was polluted – as, predictably and *for* tha umpteenth time in the House of Commons yesterday – by every possible cliché and distortion.

In the other sector were a *few slightly dotty people* who objected to factory farming, experiments and vivisection. But in the last *few months* it is to this side of the movement that the whole centre of gravity has shifted.

Any popular protest which, in so short a time, can compel the main shipping companies and the food retailers to change established commercial policy has to be taken seriously – and this applies as much to politicians as it does to management in the industries affected.

The way that both have reacted is instructive, and predictable. The main commercial players, from P&O to Tesco, have moved smoothly and effectively to retain the support of an unquantifiable though significant number of their *customers. P&O led the* way by refusing to carry livestock trailers on its vessels. All the other passenger ferries followed suit.

Tesco, with commendable promptness, stopped stocking white Dutch veal and the *majority of supermarkets have* since adapted their own buying policies.

(I say "commendable", not as an advocate for the cause of animal welfare, but as a shareholder. Where there are choices available to "load" the balance of a portfolio, most fund managers will try and stay away from companies which have an image disturbed by controversy. Ratners, Benetton, even the Valdez blip in *the Exxon share price are* examples of what can happen when an enterprise gets tagged as "insensitive".)

But the politicians are muddled by this extension of the dispute out of the familiar terrain of pro and anti blood sport.

Plainly there are votes here – but how can they be garnered? *Who are these protest*ers? What is their "natural" constituency?

They seem to have no leader, no organising committee, not even a press officer. And yet they are capable of mounting demonstrations in five widely *separated parts of the kingdom* simultaneously. Plymouth, Shoreham, Brightlingsea, Coventry and Swansea have all, sometimes on the same day, needed extravagant, and highly unpopular, diversions of police resources.

This is heavy "people power". And it is getting results by a route quite separate from the traditional House of Commons procedures. All very unsettling.

So *far, ministers' reaction* has been simply to stay below the parapet. Policy has not even been reactive – other than the fatuous plea to "demonstrate not here but in Brussels", to which the very proper response came "that's what you're paid to do."

> Marked changes will be imposed on the agriculture industry, with economic, even fiscal, implications

More just hope the whole thing will soon die down, and this may well happen – it is almost impossible for ordinary *law-abiding folk to sustain* attendance on this scale indefinitely. Dreadful weather and police baton charges they can cope with.

But, in the end, the sheer pressure of work schedules and family obligation is likely to reduce their number.

Spontaneity of this dimension, however, does indicate *very deep roots* in the public conscience.

It is the expression of an *accumulating distaste* for factory farming and environmental pollution. It motivates vegetarianism, whose practitioners are growing at a compound rate and have *lately* enjoyed the endorsement of being termed "unnatural" both by *members* of the cabinet and back-benchers in the House of Commons.

And an awareness of the level of cruelty and squalor inseparable from "the meat trade" have, with the advent of the hand-held video camera, been brought to a far wider audience.

It is my own belief that the *resolution of this contentious* issue can only take one form. There are going to be marked changes imposed – by *force of* circumstance more likely than by compulsion of statute – on the agriculture industry.

This will have economic, even fiscal, implications. Those involved would be well-advised to start now in anticipating, and preparing their adaptation.

Profound questions of attitude and philosophy are also raised, *central to man's rela*tions with other living forces on the planet – and to the obligations we have to our children and those as yet unborn.

The question as to whether that "dominion", conferred by God upon man at the creation, *implies a right to exploit and* maltreat entirely at man's convenience; or whether it was the intention to confer a duty of care on all living creatures, consistent only with ensuring his own survival, may well be simply *a matter of alternative* Hebraic translation.

In any case, it is, although convenient for some, hardly binding on even the most devout unless they are ready to swallow whole the entire volume of admonition in the Book *of Genesis* – a *diet on* which these days even the most fundamentalist Christian would surely choke.

The counter-attack is now running strongly. The progressive and the conservative establishments both feel threatened, and are jointly disconcerted, although from

Continued on Page IV

CONTENTS

NEXT WEEK
The secret cabal which runs Europe

Joe Rogaly

A safer, nuclear Titanic

The huge Antarctic iceberg spells doom for all of us unless . . .

Quite possibly the most significant news item of the week was the one about the giant iceberg. You missed it? Difficult *to believe. Some 500 cubic kil*ometres, a chunk of the frozen stuff the size of, shall we say, New York city, snapped off the Antarctic peninsula. Sit still. *This could be important.* It might be a "buy" signal for putative investors in nuclear power. It *certainly will be that* if the news is flaunted in support of the proposition that the earth is *getting* warmer as the smoke rises from fossil fuels. The connection is clear. Coal *and* car exhausts throw a blanket of carbon dioxide around the earth. Atomic *power stations do not.*

Some inhabitants of the northern hemisphere may find the idea of *global warming dif*ficult to grasp in the first shivery days of March, but that is to take a short-term view. We nuclear greens prefer to think about average annual temperatures of the planet's atmosphere, plotted on graphs that stretch backwards and forwards for half-centuries. Plenty of ice *can* break up in such a time-span. Some of it could turn to water, raising *sea-levels, and steadily* eating away at the edges of the six continents. If there is such a *melt-down, our* great-grandchildren will wish we had taken warnings of *climate* change more seriously.

Wait a minute. Surely this *was all settled in* 1992, at the Rio conference on the environment? So it was, if the avoidance of tough decisions can be called a settlement. The assembled delegates nobly undertook to curb emissions of CO_2, but little of real use has been done about it since. The scientific argument is simply not scary enough. When it is, governments act. Aerosol sprays using chlorofluorocarbons are being phased out, because people are afraid that they will get cancer from the sun's rays if the *ozone* layer is thinned. The action point on that particular curve of fear was reached nearly 10 years ago.

The CO_2 horror movie is not yet made. The threat of global warming is not universally accepted. Catastrophe is by no means imminent. On the most *alarming predictions, the dam*age will not begin to be felt until the middle of the next century. Tha most *serious* harm comes much later.

You need a real frightener to *shift* people out of their motor cars. They will have to be terrified out of their wits before they will use *less* electricity. The huge chunk of ice falling off the Larsen shelf in Antarctica might be the beginning of the build-up of the necessary nervous tension, but I *fear that it is too remote from* everyday experience to do the trick. Even if it does start a movement up a new *slope of* fear the action point probably lies somewhere in the next century.

That is just as well, because the lead-in *time for* nuclear power stations is long, while, post-Chernobyl, the industry's expectations are relatively modest. The Anglo-Americans have virtually stopped building reactors on home territory, although they have high hopes of selling them in China, Korea, Taiwan, Japan, Indonesia, and all over Asia.

> You need a real frightener to shift people out of their motor cars

In Britain the government keeps postponing completion of its "nuclear review". Its report, *which is due at Easter* and I guess could be published in May, will probably suggest *keeping the uneconomic Mag*nox reactors and parts of British Nuclear Fuels in the public sector. *That would leave room* to prepare the jucier bits of both BNFL and Nuclear Electric for privatisation.

The chances are that hard decisions will be postponed until after the next election. Privatisation would follow a Tory victory, but what of a Labour government? Nuclear Electric (NE) wants the Mag*nox capacity, currently* about 8 per cent of British power generation, replaced by a new pressurised-water reactor, Sizewell C, alongside the B plant opened a couple of weeks ago. If – and it is a big if – the people's party accepts that, *the closest it is likely to* come to a market solution is for a state-owned NE partnership *with the private sector.*

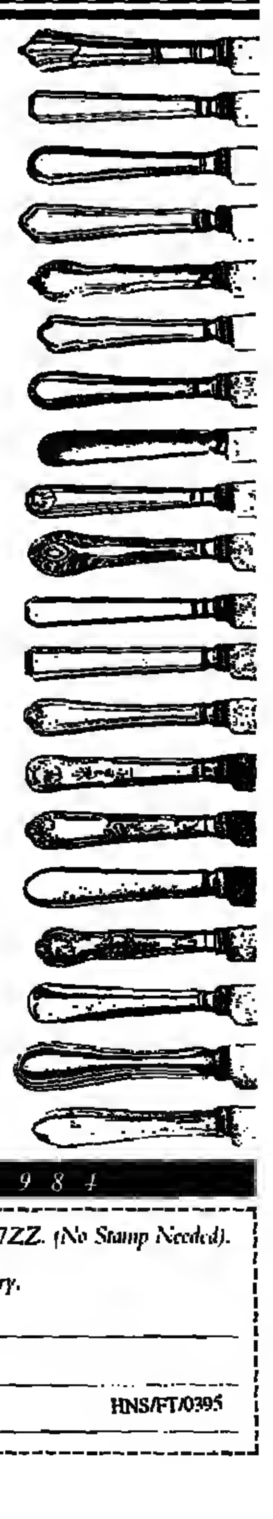
It would be a courageous strategy. Powerful lobbying *and street-campaigning* organisations such as Greenpeace would put up strong objec*tions. Their case is not easily* dismissed.

Why, argues Greenpeace, confuse one *environmental* danger – global warming – with another – nuclear power? Atomic stations produce radioactive waste. Some stations blow up; others are in danger of doing so. The plutonium they turn out can only be used for weapons. As to cost, the world would need to build more than 5,000 reactors over the next 30 years to keep greenhouse gas emissions at the 1988 level.

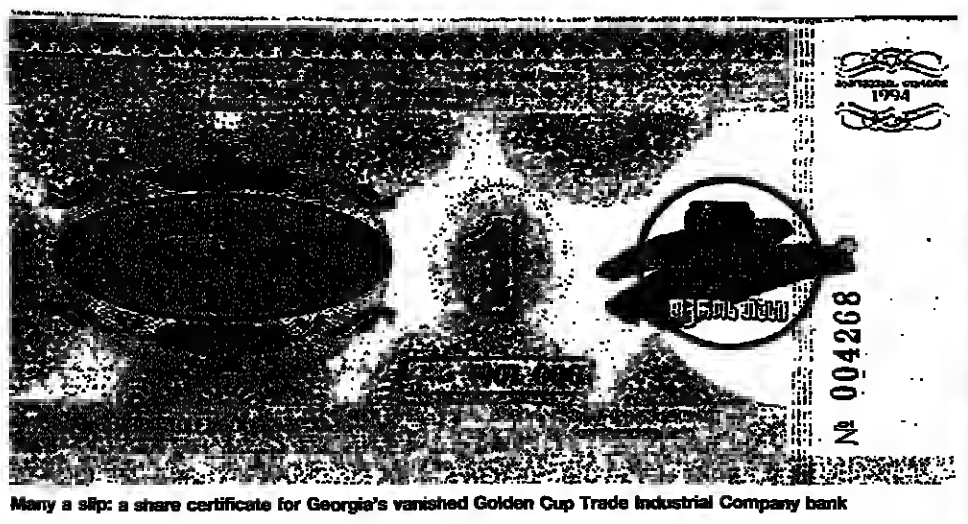
Not all greens denounce atomic power. Last year the nuclear forum, which speaks for the industry, published an interview with James Lovelock, author of the "Gaia" philosophy. That describes the earth as a living planet that eternally regulates itself. Humans may destroy their *species; Gaia will go on its* way. "I wouldn't in the least mind taking some high-level nuclear waste here at my home and using it for home heating," said *professor Love*lock. "I am quite serious about this." He'd have been happy if *Britain* had been like *France* and gone more nuclear.

In an ideal world we would find indisputably harmless ways of reducing emissions of greenhouse gases. Europe and the US would use less power; conservation would be built in to the manufacturing processes of the emerging economies. Wave and solar power would be developed. Remote *sites would be found for wind*farms. The car would somehow be tamed.

Parts of *this dream* may come true, as awareness of environmental damage takes root in the human psyche. It is unlikely that any of it will happen quickly or extensively. We are fated to burn fossil fuels on an increasing scale, diminished only by the nuclear capacity we can construct. There is no escape. That cracking sound is the thinning of the ice.



PERSPECTIVES



Many a slip: a share certificate for Georgia's vanished Golden Cup Trade Industrial Company bank

Georgia blue: a Tbilisi traffic policeman with his new car on Rustaveli Avenue

Peter Nasmyth

Letter from Georgia

Wild capitalism flourishes in rugged Georgia

Peter Nasmyth sees free-market and free-Mafia meet

I hear you British are opening an embassy, said the shopkeeper spreading out an antique carpet in the Georgian capital Tbilisi. "It's about time, we're waiting for you..." He pointed to a pile of English language pamphlets entitled the "Georgian Business News".

Eduard Shevardnadze, Georgia's president, toured Britain last week. He met the Queen and John Major. Embassies in London and Tbilisi were announced. Back in the home country, where battles ignite and fade around the rugged mountains, papers such as the "Georgian Business News" give the clearest picture of the unique brand of wild capitalism sowing itself across the Caucasus.

The paper is aimed at any passing entrepreneurs or investors, and defines a war-zone commercialism with candour. It reports on the progress of IMF talks; the nation's power supply problems; notes the World Bank's positive report on Georgia's debt restructuring and pledge of financial aid. But its "prices" page lists only two commodities: arms and black market gold. The bold solemnity of the lists – AKM (rifles), $400; AKS (rifles), $300; a "woman pistol", $150-$200 (bullets $1 each); "pawnshop 24 carat for security", $5 a gram – tells the real story. The "criminal" section has headlines such as: "The 28 employees from Trade Industrial Company GZA didn't come to office" – almost certainly another company where investors will lose everything.

Georgia was once the Soviet Union's wealthiest per-capita republic with flourishing wine, mineral and film industries. Geographically, it is in the centre of the Caucasus; economically, it lies between the free-market and a free-Mafia.

Georgia lacks a solid legal structure for commerce, although moves are being made. Shevardnadze signed an investment protection protocol during his London visit and announced that Georgia's two main ports, Batumi and Poti, were "free trade zones". He has announced the stabilisation of his country's calamitous interim currency, the coupon, at 1.2m to the dollar, and has plans for a new independent currency, the Lari. But this is wholly dependent on a stabilisation fund from the IMF.

Georgians continue to base much of their trade system on the old Caucasian tradition of "friendship". Insurance, personal investment, even policing remain heavily dependent on personal or family contact.

When Ilya Noladze, a language teacher, had his car – a $5,000 Lada – stolen in Tbilisi for the second time, the police showed no interest at all. Georgia has no car insurance. But one route remained. He made a few calls and returned to the police station with a "friend" of the police chief. The frosty atmosphere vanished. "Would you like an appointment with the criminals?" he was asked over a Georgian brandy. "Would 3pm tomorrow suit you?" He agreed and the meeting was set up: in Tbilisi's main hospital.

"I arrived at a bedside and met a man lying there with five bullet holes in his stomach," Noladze said. "I told him my problem. He seemed very friendly, offered me cigarettes, took my phone number and said he would see what he could do."

Three days later a stranger rang to say he had found the car in an underground garage 300 metres from his home. "Now I have to pay," Noladze grinned, "I think about the same as your car insurance in the west."

A walk down Tbilisi's Chavchavadze Avenue gives an indication of the free-market avant guard. Coca Cola is everywhere and a growing number of signs harangue passers by: "Commercial Shop", "Economic Firm", "Many Branched Bank", "Joint Stock Company". Closer inspection often reveals locked doors and empty offices. Three years of an unregulated free-market has spawned a chaos of new enterprises. Inevitably there have been casualties.

When Marina Arveladze, a 21 year old student, saw a television advertisement for a new bank calling itself the "Golden Cup Trade Industrial Company", she decided to invest everything she had: $50 – a considerable sum for a student on a standard grant of 800,000 Georgian coupons a month (about 60p). State salaries in Georgia currently stand at about 1.5m coupons a month.

"I bought my shares for $1.30 each," she said, pointing to a pile of colourful Monopoly-style certificates. "Two and a half weeks later they were worth $2.65, so I went down to the office to sell. When I arrived the door was closed, with a small note pinned to it saying just 'goodbye'."

With no official records or traceable registration, the amount of money drained out of the Golden Cup is anyone's guess. Estimates put it at "several million", with 11,000 investors losing everything.

The circumstances behind the disappearance of this company and many like it, remain a mystery. Georgian television recently broadcast a phone-in interview with one of the investigators – but typically the phone-in number proved inaccessible because of power shortages at the exchange.

With the danger of bandit executives, the population looks warily on new banks offering 22 per cent interest a month. Many are saving in the older, more established banks which offer 4 or 5 per cent. Some simply re-convert their savings from old roubles to dollars and stash them back under the mattress.

On Rustaveli Avenue, black BMWs with tinted glass carry radio-linked teenagers across Tbilisi at breakneck speed. There is usually the silhouette of a Kalashnikov between the seats. The black jackets and dark glasses represent the increasingly visible presence of the Mafia. In spite of this, the streets are the safest they have been in two years – the criminals have moved upmarket.

Most big businesses pay for the "friendship" of the Mafia. The system has grown from the huge black economy built in the Soviet period. The larger western aid programmes in Georgia, caring for its 200,000 refugees from the Abkhazian war, encounter significant pilfering.

"The Caucasus have picked up their 18th century outlaw roots and backed them with television age capitalism," said an aid worker. "The noble bandit is still a hero here. But at the same time there is a keenness to learn our business. Even the Mafia are starting to realise there is a safer way to be rich."

Georgia and its Caucasian neighbours hang between two worlds. They sense their true selves in a glorious chivalrous past, but they demand cars, televisions, computers with an increasingly unnoble modernity.

War has never been far from this craggy isthmus, and the Georgians are again learning to live with it. For the moment, the world's eyes focus nervously on Chechnya across the border, leaving business in Georgia to continue as usual.

■ *Peter Nasmyth is the author of* Georgia, a rebel in the Caucasus *(Cassell, £16.99).*

Minding Your Own Business

A flag-waving exercise

Clive Fewins on a company that carved a niche in a temporary industry

Steve Hayward was horrified. The indoor flag was stiff and lifeless on the stand at the large travel fair in Germany. One of Hayward's competitors in the event decoration business had done an awful job. On his return to Sussex he decided his company could do better.

The result is "Fly the Flag", Hayward's attempt to collar the European market for indoor flags for display and exhibition purposes. Last autumn, indoor flags produced by Greenpalms, Hayward's event decorating company, fluttered gently with the aid of a draught generated by a fan at the foot of the flagpole at big events around the UK.

"It looks simple, but the technology behind the flag is quite complex," said Hayward, a former biology teacher who started Greenpalms 14 years ago when a friend who ran an advertising company asked him to draw some specimen plants for an exhibition stand background.

Things have moved on since then. Hayward has a staff of 20 at the two-acre former railway siding beside an old Victorian school building at Shoreham-by-Sea, West Sussex that is his headquarters.

Turnover this year is expected to be £650,000, £150,000 up on last year, and he is hoping to make a profit of £35,000-£40,000.

"Despite the recession business has been brisk in the event decorating world – I call it the temporary industry," Hayward said. "Companies have been keen to put a brave face on things and have been spending on promotion, which is good news for us.

"Our work involves long hours and much working away from home, but I find that if you have a constant flow of good ideas like the flagpole, then people will take notice of you."

Another of Hayward's recent ideas was backdrop hire. Last year he took a lease on a 3,000 sq ft warehouse in Battersea, south London. The idea was to save on the almost daily travelling and transport of bulky materials from Sussex to London.

But within a few months the warehouse was full after the "inheritance" of 500 backcloths, ranging from a Spanish flamenco scene to Notre Dame, from a former collaborator who wished to retire.

Among the props: Steve and Jennie Hayward of Greenpalms

"The collection cost us nothing," Hayward said. "We look after it for Roger Adams who still owns it. He is now in his mid-60s and retired, apart from doing a little work for us.

Hayward pays Adams a fee each time one of his backcloths is hired out for an event. He also kept Adams busier than he would have preferred last summer, when Greenpalms commissioned a £4,500, 160ft long, 12ft high backdrop of The Oval cricket ground, with 20,000 individual figures in it.

Incorporated in the backdrop is a working scoreboard and a freestanding sight screen that can be wheeled about. "There is even a streaker if you can spot her among the 20,000 figures," Hayward said.

The backcloth will be rented every summer to The Oval, when a gymnasium there is turned into a temporary restaurant. The rest of the time it is hired out for other events. The clever design means that the eight separate panels can be assembled in various ways. The sections that relate specifically to The Oval can be omitted so that the scene looks like any sports ground.

Hayward also takes a delight in impulse purchases from sales and second-hand shops, such as the 1840 cricket bat with steel spring handle he paid £40 for in a junk shop. He used this as the basis of a collection of cricketing memorabilia that Greenpalms hires out to summer events.

Winter is the quietest time for Hayward. However, 25 per cent of turnover is still based on the hire and maintenance of decorative plants and in plant display work. This was the company's core business in its formative years after Hayward started Greenpalms with his wife Jennie in 1980 and it still helps to stabilise cash flow.

"We supply both the short-term plant rental market for major summer events such as Wimbledon, Henley and Ascot, but also commercial installations, the most common examples being plants for offices," Hayward said.

"Early in the recession we found that companies cut down their number of plant displays, often limiting them to the foyer and other areas seen by the public and visitors. But simultaneously they probably spent more on short-term hire of plants at exhibitions and other events they felt vital to further the corporate image."

Hiring props, displays and items ranging from reproduction Victorian bandstands to giant urns, talking trees and giant cakes from which scantily clad girls leap, accounts for 55 per cent of turnover.

Hayward lives a life of curious contrasts. It varies from directing a team of 12 erecting the inside of a 50 metre by 25 metre marquee containing an inside "sky" with 1,000 twinkling stars, to scouring junk shops and picking up an item of memorabilia such as a Victorian egg grading machine. He hires this out to lighten exhibition stands that might otherwise appear dull.

"You have to be a bit of a squirrel in this business, though I have to admit that impulse purchases are not always successful," he said. Fifteen months ago Hayward paid £450 for an 1880 Italian garden fountain with 120 jets. Restoration to working condition cost another £460. In 16 months it earned only £500 in hire fees. He is thinking of cutting his losses and selling it.

Hayward runs the company with the aid of a £50,000 long-term loan from the Midland Bank, whose services he describes as "sound but unimaginative", and a working overdraft of £30,000. To realise his expansion plans he will need to seek funds from further afield.

"A friend of my father-in-law, the finance director, has taken a 5 per cent stake in the company. But long-term I would like to open three other depots – in Birmingham, Glasgow and Bristol," Hayward said.

"However, to achieve our full potential in Europe, and even perhaps the US, we shall have to bring in serious money. Recently we have been talking to some marquee-based companies across the Channel and there may be some interesting developments."

■ *Greenpalms, Ham Road, Shoreham-by-Sea, West Sussex BN43 6PA. Tel: 01273-441111*

PERSPECTIVES

How Islamist militants put Egypt on trial

Raymond Stock became part of a courtroom drama following the stabbing of an Arab Nobel prizewinner

It is a long drive from central Cairo to the former military aerodrome at Haikstep. It sits in the desert on the Ismailiyah Road, beyond the last high-rise buildings that mark the limits of greater Cairo. Dunes rise across the road from the base, dwarfing its walls. Special buses take visitors several kilometres from the main entrance to the shabby amphitheatre where the Military High Court meets.

These bleak surroundings have been the set for the extraordinary trial of the men accused of last October's murder attempt on writer Naguib Mahfouz, the Arab world's first Nobel laureate in literature.

Haikstep has become one of the main battlefields in the Egyptian government's war against Islamist militants, which has claimed more than 640 lives in the last three years. During this period, the authorities have used military tribunals to prosecute civilians accused of terrorism after ordinary courts failed to produce results. Trials and punishments have been swift. The case of those accused of trying to kill Mahfouz, who was stabbed twice in the neck outside his Cairo home on October 14, was no exception.

When the six-week trial ended ou January 10, two of the 16 defendants, who faced charges ranging from attempting to kill Mahfouz and plotting against the security of the state, to belonging to the illegal *al-Gamáah al-Islamiyah* (Islamic Group), were given death sentences. Two others received life imprisonment, nine received terms ranging from three to 15 years, and three were acquitted.

Unless President Hosni Mubarak intervenes, the two condemned men, Mohamed Nagi Mustafa, 21, an electrical appliance repairman convicted of the actual assault on Mahfouz, and Mohamed Khudayr al-Mahalawi, 23, a student, face execution by hanging.

The murder three years ago of Farag Foda, a secularist writer and friend of Mahfouz, marked a turn in the war – the killing of intellectuals. Mahfouz had aroused the militants' wrath with his 1959 novel *Awlad Haratina* (published in English as *Children of Gebelawi*).

Before the Haikstep trial, Nagi had confessed on television that he had stabbed Mahfouz in execution of a death sentence issued in a *fatwa* (religious legal opinion) by Shaykh Omar Abdel Rahman, now on trial on terrorism conspiracy charges in New York.

In early 1989, shortly after Ayatollah Khomeini's *fatwa* against the author Salman Rushdie, Abdel Rahman condemned Mahfouz for his allegedly blasphemous *Gebelawi*. Abdel Rahman is said to have declared that if Mahfouz had been punished in 1959, Rushdia would never have published his *Satanic Verses* in 1988.

In spite of the threat, Mahfouz refused police protection. He proved, however, a difficult target. Even though ha was 83 in December and sustained serious injuries in the attack, Mahfouz survived the knifing, which severely damaged two main blood vessels and the nerve which controls the right arm and hand.

That the nearly deaf-and-blind Mahfouz, who walks with a cane, suffers from sugar diabetes and a heart condition, even made it through the operation is a miracle, say his doctors. Tha impairment of his writing hand was the assailant's symbolic, if Pyrrhic, victory.

Ironically, Nagi, who claimed he had never read any of Mahfouz's work, had difficulty using his left arm during the trial, the result of a police bullet caught during his capture.

His capture came quickly. The speed and range of arrests after the attack raised questions about whether this was just a case of rounding up "the usual suspects".

Yet the contradictory behaviour of the defendants before, during and after the trial, and the vagueness of some of the physical evidence, makes it even more difficult to assess their guilt. It is also typical of the bizarre, almost Alice in Wonderland-like conundrum that confronts anyone trying to make sense of events in Egypt.

> 'What about Nagi?' his mother asked. 'Execution,' I whispered. She slapped her cheeks in despair.

The clues start the night before the attack. At 6.30pm on Thursday, October 13, Mahfouz's sixth Nobel anniversary, two men claiming to be admirers of the writer, bearing flowers and sweets, stopped at his apartment. Mahfouz'e wife, Atiyah, told them that Naguib was not home; they could find him the next day at 5pm in his weekly *nadwah* (literary salon) at Casino Kasr el-Nil. The men, one dressed as a Gulf Arab, then left. Atiyah later told me, "They had funny-sounding accents for Gulf Arabs."

At 4.50pm on Friday, the novelist got into the red 1989 Fiat Regata in which Fathi Hashem, a pharmaceutical marketer, took him each week at the same time from his doorstep to the *nadwah*. An elegantly dressed young man approached from the footpath nearby. The affable Mahfouz, unable to see who it was, offered the vaguely human ehape his hand through the open car window. Instead of shaking it, the presumed well-wisher stabbed Mahfouz twice in the neck.

Hashem chased the assailant but remembering the wounded Mahfouz, rushed back to his side. He pulled the knife from the writer's neck and threw it on the ground, where it was later recovered. Hashem then put his hand on Mahfouz's wound to stop the flow of blood, and backed his car up to the hospital next door. Within moments, the stoic old novelist was in surgery.

With almost equal speed, government ministers were at his bedside and television crews in train. This turned the writer, who had avoided any overt political role all his life, from a symbol of Egypt's literary genius into an icon of victory in the struggle with the extremists.

The arrests came just as quickly. On Saturday, the main group of alleged conspirators were in custody after a raid on a coffee-house in the Cairo district of Ain Shams. Several, including Nagi and Mahalawi, were wounded. Their purported ringlaader, Basim Khalil, reportedly died exchanging gunfire with security forces in the same raid.

During the next few days, dozens of people were said to have been held in a sweep for people thought involved – including eeveral who had been extradited from neighbouring Arab states.

The handful of Egyptian journalists who covered the trial, the defendants, their lawyers and even a few security people had a name for the proceedings. They called it a *masrahiyah*, a stage play. Everyone supposedly knew their part, and how things would turn out. And from the start there was an atmosphere of depressing theatrics and futile haggling in the courtroom.

The trial's opening on December 6 felt vaguely off-Broadway. The defendants, all bearded and with heads shaven, sat in their cages clad in thin, white cotton clothes against the cold. At their counsel's request, the chief judge called out to each defendant by his first name, asking what had happened to them in custody. Each then recited a list of injuries suffered during and after their apprehension.

The judge, in his brigadier's uniform, listened to the litany with politeness, adjourned the court, and left.

As he did so, a tumult began. Reporters and photographers rushed at the cages, and, in a single movement, the defendants lifted their shirts to show the scars allegedly inflicted by the state.

Yet, defying predictions, the defence did not try to justify the crime by accusing Mahfouz of *kufr* (unbelief), but instead tried to show that the defendants simply had no connection with the crime.

On the second day of the trial, when one stern-faced, bearded lawyer urged the court to seek the opinion of al-Azhar, Egypt's centre of Islamic orthodoxy, about Mahfouz as a Moslem, one of his colleagues shoved him aside. "We don't care whether Mahfouz is a *kafir* (unbelievar), or whatever," said Yehia Kassem, a big, sleek, mustachioed man in his late 40s, with the manner of an Egyptian Perry Mason. Instead, he said, the question was whether these men had committed specific crimes, and the defence would show that they had not.

Throughout the trial, the defendants continued to claim innocence. Although, reportedly, they made contradictory statements to the press. To me, they denied any hostility to Mahfouz, and said they were loyal neither to Abdel Rahman nor the Islamic Group, of which he is said to be spiritual leader. I asked Nagi, a slender, young man, whether he had knifed Mahfouz, whether he thought him an unbeliever, and if he even had an opinion as to whether he was an unbeliever. "No," he replied to each question.

Later, I tried to test him more thoroughly. I told Nagi (whose name means "survivor" in Arabic) that I usually ride with Mahfouz and Hashem on Fridays to the *nadwah*, in the same car in which the attack took place. On the day of tha assault, I was in New York; had I returned to Egypt on schedule, I would likely have been in the car with them. Nagi blushed. "I didn't know anything about it until the next day," he blurted, eyes cast down in embarrassment.

Like all the defendants, Nagi claimed that he had been tortured. He told me that his television confession was done "under pressure", and that "there was someone behind me" prompting his responses to questions. Nagi said that he never met anyone from the press before the trial.

The chief physical evidence against Nagi was apparently a hand-print found on Hashem'e car. Kassem said this did not show up in police tests until six weeks after the crime. Fathi Hashem, the chief witness, was never shown Nagi in person, but identified him from photographs. In court, Hashem said that he had only seen the npper half of the assailant's face.

In spite of defence demands for their appearance, neither Mahfouz nor his wife testified. Mahfouz, excused on health grounds, told prosecutors that he could not see who stabbed him. The chief judge refused to ask Atiyah, who tentatively ideutified from photos both Nagi and Basim Khalil, the man killed in the October 15 raid, as the two men who visited their home the night before the attack, to come before the tribunal.

There were powerful personal ironies for me at Haik step. While getting to know the defendants and, to a lesser extent, their families, an awkward rapport developed between us. My status as a non-Moslem foreigner, who also had a close relationship with Mahfouz, did not seem to bother them. As an American, they probably felt I offered a better channel for them to the outside world.

On the day of judgment the chief judge simply read the verdicts and left – it was over in less than 10 minutes. Instantly dropping their apolitical poses, the prisoners shouted Islamist slogans. As I tried to reach Nagi, a group of defendants called out: "Raymond – tell Naguib Mahfouz that he has no place on earth. Tell him that by God and the Prophet, he is an unbeliever!" I replied sharply: "You denied all this during the trial."

As I got close to Nagi, he was talking to someone. When he looked my way, his face was affectionate. While I struggled to summon the words to ask him once again if he were truly guilty, and what he felt at the moment, a security man pulled me away. As I looked back over my shoulder, I could barely make Nagi out as the crowd was cleared away.

Back at the main entrance, we found the frightened families of the defendants. The principal defendant's mother spotted me. "What about Mohamed Nagi?" she asked. "Execution," I whispered. She slapped her cheeks in despair and ran away, wailing.

The trial at Haikstep may or may not have told us "whodunnit". After the attack on Mahfouz, there was much talk about a possible Algeria-like campaign to eliminate intellectuals that the Islamists consider enemies of God. So far, this has not happened, although revenge killings after the executions are feared. And the surge in violence in Upper Egypt which followed the trial seemed unrelated to the events on the Ismailiyah Road.

> The attack proved a blunder for the militants in their campaign for the hearts and minds of Egyptians

Yet the war is now merciless. Al-Haqq Ali Gadd al-Haqq, the Shaykh of al-Azhar, said last month that the militants were false Moslems who "should be killed, or crucified, or have their hands and feet cut off", punishments uot legal in Egypt. Meanwhile, state security forces have killed a number of alleged Islamist terrorists, some in questionable circumstances.

For their part, the militants, accusing the Mubarak regime of rampant corruption and of failing to establish an Islamic state, have murdered hundreds of policemen, soldiers and bystanders, harassed and killed members of the country's Coptic Christian minority, tried to assassinate the president and several government ministers, and shot foreign tourists. But the attack on Mahfouz proved a costly blunder for the militants in their campaign for the hearts and minds of Egyptians against the government.

As for Mahfouz, his life is changed utterly. Although his health is improving and his spirits good, his right arm may never be the same. When he ventures out of his home, now a fortress, he moves in an armed convoy. His friends joke nervously about all the guns, but their freedom of movement, taken for granted for 50 years, is gone.

When I briefed Mahfouz on the trial, his remarks were terse. "They knew the law, and what they were doing, at the start," he said, stabbing the air with his weakened hand, his still-hoarse voice rising in anger. "Implementing the law requires no comment."

■ *Raymond Stock is writing a biography of Naguib Mahfouz for Farrar, Straus & Giroux, Inc. Book Publishers in New York. He lives in Cairo.*

Two defendants charged with taking part in the failed assassination of Nobel prizewinner Naguib Mahfouz — Reuter

The victim: author Naguib Mahfouz — Popperfoto/Reuter

The Nature of Things

Hope for the hard of hearing

Andrew Derrington considers research into the next generation of hearing aids

In northern Portugal two years ago, I visited the shrine of Santo Ovidio, patron saint of the deaf. The saint'e statue is surrounded by hundreds of wax model ears, left by people seeking miraculous cures for deafness.

We may feel that it is better to look for technological, rather than saintly, miracles. For some years we have had hearing aids that are small enough and light enough to be worn comfortably behind the ear. Unfortunately, the devices available, which just make sounds louder, do not always make them easier to hear.

Consequently, many people who are fitted with a hearing aid use it only for a short while and then give up, according to Brian Moore of Cambridge University. Moore is working on a new generation of hearing aids that will use special computers called digital signal processors (DSPs) to transform sounds to make them more intelligible.

There are three problems with current hearing aids, according to Moore. First, deafness often only affects certain types of sound – for example high frequencies – so making all sounds louder will not improve intelligibility. High freqnencies are crucial for understanding speech because they carry information abont consonants. If a person cannot hear high frequencies, making the low freqnencies louder exacerbates the problem.

Second, when sounds vary in loudness, the wearer must keep adjusting the hearing aid volume control. Normally our ears seem to adjust miraculously to the prevailing level of sound.

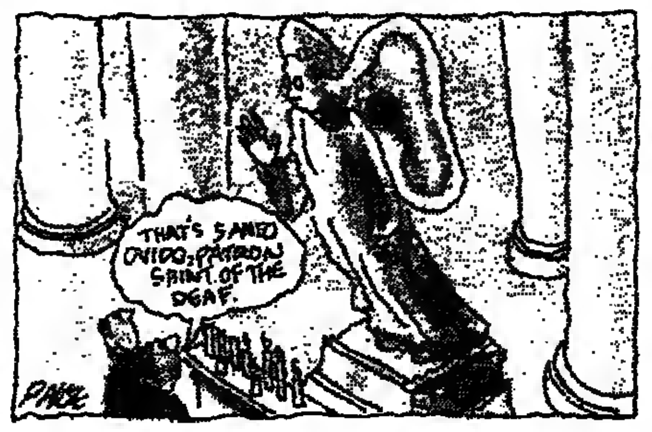
Finally, the sounds we want to hear must often be picked out from a background of noises that we want to suppress. Amplifying all the eound with a hearing aid makes matters worse.

These problems are worst when deafness is caused by damage to the inner ear, where sounds are converted into electrical signals in nerve cells. Jonathan Ashmore at Bristol University has shown that one important reasou for this is that the conversion process involves the operation of a biological miracle, an array of thousands of tiny motors that amplify selectively the sounds we want to hear.

The conversion of sound into electrical signals occurs in two stages. First, the sonud vibrates a sheet of fibres called the basilar membrane. The fibres are like the strings in a piano: each one vibrates most to sound of a different freqnency. Separating the sound frequeucies in this way – or filtering – allows the brain to respoud to differeot frequencies separately and so to analyse complex sounds such as speech.

The vibratiou of the basilar membrane generates electric currents by bending the tips of hairs on special sensory cells. The effect of these electric currents on the hair cell depends where it sits on the basilar membrane fibres. Inner hair cells release chemical messengers that transmit signals into the brain, enabling us to hear. But in outer hair cells the electric current causes a motor in the hair cell to increase its length rapidly, magnifying the size of the vibration detected by inner hair cells.

The motor in the outer hair cell amplifies sound hy about 100 times accordiog to Ashmore. "It's like a piano string surrounded hy treacle: the outer bair cell takes away the treacle." But because the outer hair cell only takes the treacle off one string at a time it does not just make sounds louder, it also improves the separation between sounds of different frequencies.



The outer hair cell also acts as an automatic volume control, amplifying quiet sounds more than loud sounds.

The next step is to find out what molecules drive the hair cell motor, and what makes damaged outer hair cells die, rather than regenerate. You start life with a fixed number of hair cells and gradually lose them as you get older.

Ageing is not the only cause of inner ear problems, Moore says. "Problems can arise as a result of a blow to the head, or exposure to excessive noise, solvents, infections or antibiotics."

A survey by Adrian Davis of the Medical Research Council's Institute for Heariug Research ehows that more than 5m people in the UK have moderate to severe hearing loss, and in the vast majority the problem arises in the inner ear or beyond.

Moore's solution to the problems caused by inner ear damage is a hearing aid that filters and analyses sounds, amplifying only those that increase intelligibility. His lab, with the the electronics companies Philips and Siemens, is part of a European consortium working to develop such a device. Filtering, analysing and amplifying sounds is now possible using DSP chips, but these are very bulky and consume too mnch power.

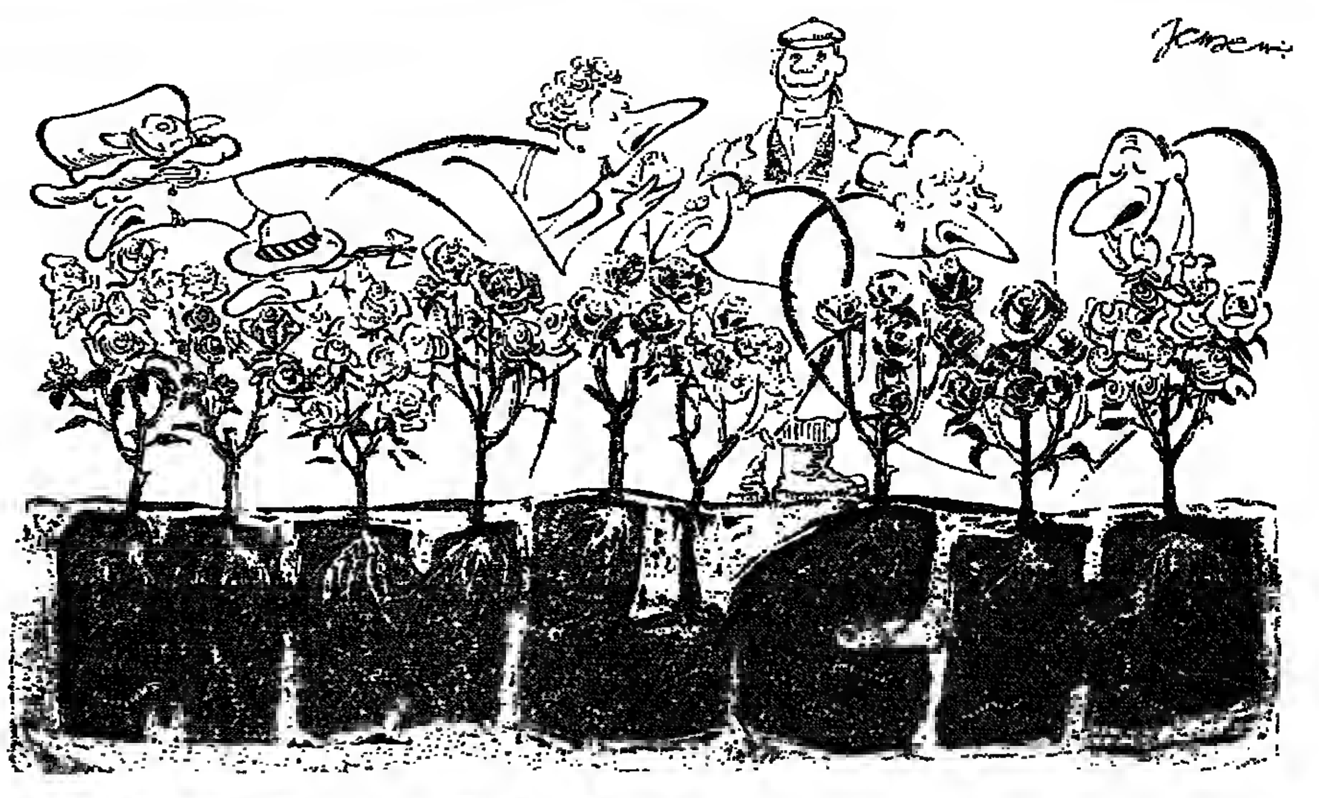
The size and power consumption of DSP chips is falling rapidly, so Moore hopes to have a usable prototype in about five years. Until then, for many people it is neck and neck in the race between the electronics industry and Santo Ovidio.

■ *The author is professor of psychology at the University of Nottingham.*

OUTDOORS

Gardening / **Robin Lane Fox**

Spread mulch before the sun shines



The wet weather in Britain has put even the keenest of us behind schedule – it takes nerve to prune roses in horizontal rain. This weekend is my annual turning point, the first of four in which I reassert control. Work done now cuts out twice as much in the summer; the key to it all is mulch.

Fair-weather gardeners fight shy of mulches because they sound too earthy and full of worms. They make a serious mistake, because mulches are not mysterious and save no end of toil.

A mulch is a weeder's best friend: a layer of rotted manure, decomposed leaves, bark, compost or anything porous and squashy. First, weed through your flower beds, removing all the perennial weeds you are not supposed to have. Then spread the mulch on the clean ground.

Like roof-insulation, mulch is often recommended in unmanageable quantities. In mature flower beds, you cannot possibly put on the 9in depth of rotted waste which many books still advocate. Three inches is ample, and if you are mulching a new border be sure to spread it before you plant. You can then scrape little clearings for each new plant, whereas you will fail to spread your dark blanket around each new plant if you have just trowelled them all into place.

Mulches do not arrive complete with a squirming mass of maggots. Worms, however, will help to pull them down into the topsoil and greatly improve the health, lifespan and roots of surrounding shrubs. At Sissinghurst, Kent, the former gardeners tell me, the old roses were found to have lived on new upper layers of roots, made into the regular mulches applied during National Trust ownership. The original, lower roots were more or less dead.

If mulch is so good, where can you buy it cheaply? As so often, keen gardeners with half an acre or more are rottenly served by the market, squeezed out by large-scale farmers, the "professionals" and the urban gardener who wants to do the job in gloves. Beds in small front gardens can be covered twice over with a large retail pack of peat or chopped bark. But bags of bark from a garden centre would cost too much to cover a large garden adequately.

Of course, you should all make your own compost, but almost certainly you have failed to do so. I have been checking other options because two of my favourites are becoming politically incorrect.

The first has been scuppered by what might be called "Eurosepties". It used to be possible to spread sticky, liquid waste,

> **Mulches are not mysterious and save no end of toil**

processed from family drains and tanks and delivered in bulk for sloppy top dressing. Admittedly it smelt, but not for long, and it soon dried. Processors listed under waste disposal in any Yellow Pages phone book would usually offload a helping on to private, country gardens.

Under EU rules, however, liquid waste has to be ploughed into the ground within 24 hours and only used by commercial sources. In China, people collect "night soil" and spread it from their bicycle baskets; in Europe processed droppings are controlled by "Euroseptic" regulations.

My second option links up to the sporting network through a hunter-humous loop. What goes into the hunting horses in the autumn goes on to the garden in March.

This loop is not available to saboteurs or antis. It is ecologically impeccable, but its political future is at risk and so I have begun to cast the network more widely.

Prospects ought to be excellent. Natural waste management is in high public favour; local councils retain recycling officers; even their roadside grass-cuttings are put out to tender with providers who will truck it to amenity disposal centres, exposed to natural wind.

How can larger gardens link up to this activity? It is still a matter of local ingenuity and enterprise. Your friendly recycling officer at the town hall may be willing to strike a deal and let you bag it. Retail marketers are still wedded to bagged peat and behave as if none of us has a garden bigger than a yard.

Privatised tip-managers have more to offer. I have just visited two ambitious gardeners in Northamptonshire who are running their historic garden on recycled greens from Milton Keynes.

Gardeners in the south of England might like to contact Anne Riding, recycling manager at Shanks and McEwan.

The organisation returns recycled greens to council amenity centres, which resell it for about £4 per 60-litre bag. They will also consider deliveries of larger loads, at up to £14 per cubic foot, within the area of an active depot. She is available at Woodside House, Church Road, Woburn Sands, Bucks (fax: 01908-282836).

If you think you are a potential provider with waste worth upgrading, contact David Border at the Complete Composting Consultancy, tel: 01480-466177. He can advise on management and potential.

Another idea for obtaining mulch is to try a mushroom farm, riding stables or animal sanctuary.

London's Chelsea Physic Garden makes good use of droppings from the small zoo in Battersea Park. I know London sloanes who have mulch links with Knightsbridge Barracks.

Mushroom growers listed in Yellow Pages are usually helpful, but be warned, their compost is alkaline and often thick with chalk. It is unsuitable for camellias and lime-hating plants, although you might like to try it on your heathers.

The art of good mulching is to block out this summer's weeds, to encourage roots and to retain dampness in the ground. You can see why conditions are ideal this month in the UK – except for those behind the wheelbarrows.

The ground could hardly be more wet, but by nature's cruel idea of balance, it will probably be a very dry summer. Act now and trap the wet under municipal greens, tiger droppings, farm manure or anything else which your ingenuity can unearth and recommend locally.

Skiing / **Arnie Wilson**

A deadly game with an avalanche

Patrick Zimmer jumped up and down in the deep snow two or three times. We were high above the Banane run, potentially one of Val d'Isère's most treacherous slopes.

He was playing a deadly game: deliberately attempting to trigger a *plaque a vent* avalanche rather than risk it happening accidentally with us engulfed in it.

The effect was spectacular, almost instant, and unexpectedly silent. After a split second delay, half the mountainside seemed to slither down, leaving the debris fairly safe for us to continue.

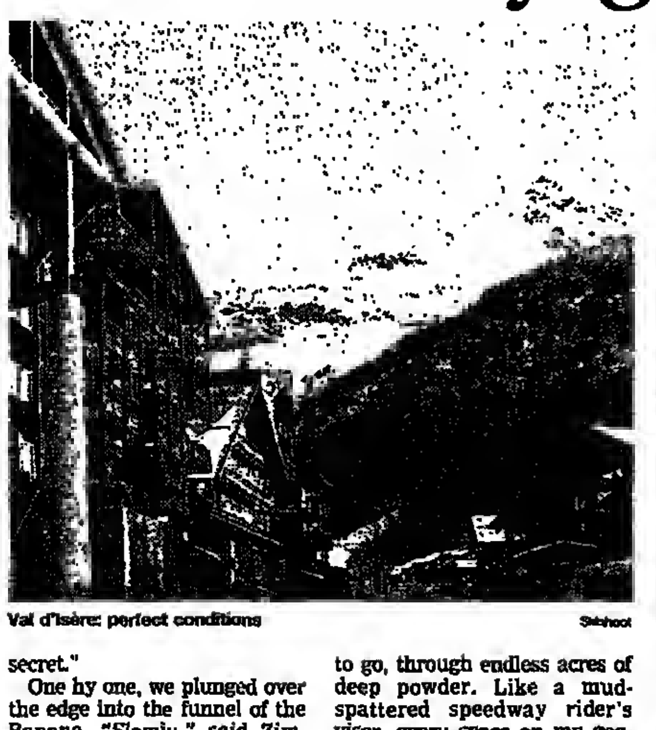
Even then, Zimmer – the senior partner in Top Ski, Val d'Isère's oldest and most respected independent ski-school – was wary. "Do not do anything violent," he warned. "Ski very gently."

After such a moment of high drama, we hesitated. Sidney, a Canadian veteran in our small group said: "Don't worry. I would trust Pat with my life 10 times over."

In slow motion – our hearts beating time with the subliminal bleeps of the avalanche transceivers strapped round our chests – each of us took it in turns to ski through the danger area.

Hardly daring to breathe, we moved off at three minute intervals, so that if the avalanche rekindled its energy, only one of us risked being caught in it. When we regrouped, Patrick said that knowing where to "cut" an avalanche was similar to locating the "sweet spot" on a tennis racket or a golf club.

But how, we asked, do you know where to set off an avalanche so that you do not go with it? He smiled his Alsace smile and said: "That's my secret."



Val d'Isère: perfect conditions Skishoot

One by one, we plunged over the edge into the funnel of the Banane. "Slowly," said Zimmer. "Ski slowly. Enjoy it but be alert. Breathe. Take your time. We are off-piste. Seriously off-piste."

We zig-zagged our way down the gun barrel and once again regrouped, this time under a large rock. Patrick still had a weather eye on the avalanche he hoped he had disarmed. If it turned out to be only playing dead, we would be reasonably safe here.

The most breathtaking part or our descent was over now, but there was still a long way to go, through endless acres of deep powder. Like a mud-spattered speedway rider's visor, every space on my goggles was gradually covered in snow as powder swirled round our faces.

Our heart-stopping descent of the Banane was the highlight of a quite extraordinary morning on which Zimmer – an ox of a man with big blue eyes, who had once been in the French national ski team – had led us in waist-deep powder in almost unprecedented conditions down some "warm-up" runs on L'Epaule de La Super L, Les Danaides and the Couloir des Americains (all above Le Laisinant) before tackling La Face Est on Bellevarde.

Even he, who has been seeking out exceptional snow conditions for his clients for 20 years, knew it was a special day. "You should all make a note in your diaries about today," he said. "What we are doing is very special. It may not happen again in your lifetime."

During one descent we followed the Bellevarde Olympic Downhill Course. The snow was so deep that it bore no resemblance to a race course or even a piste. "This is extraordinary," said Patrick. "To think that during the Olympics, racers were coming down here at speeds of more than 100km an hour."

Top Ski was the first independent ski school to break away from the official Ecole de Ski Français. When Zimmer (later joined by his equally urbane brother, Jean) started his organisation, there was a great deal of resentment from his former colleagues.

His actions helped pioneer a new generation of independent ski schools in France.

Today, Top Ski is something of a skiing holy grail for British clients.

Over the years, the Zimmer brothers have charmed their way into the hearts of thousands of Englishmen and a good few Englishwomen (Patrick ended up marrying one).

British skiers, already advanced or seeking to become so, now account for more than a quarter of their clients.

After such an exhilarating day, the evening could easily have been an anti-climax. Not so at The Ski Company's now flagship chalet, Le Chardon, with which it reaches new heights of hedonism and epicurism.

The Ski Company now works hand in ski glove with Top Ski in Val d'Isère, and it is a formidable combination.

It is six years since The Ski Company "reinvented the chalet party" as Vogue magazine put it, and its managing director, David Kemp is well aware that when you set unusually high standards. It is all too easy to capture your market and then let standards slip.

The Ski Lodge Le Chardon is proof that such fears within his organisation are groundless. Each of the nine beautifully appointed bedrooms is built from local woods – meleze (larch), Noyer (walnut), Arolle and Douglas fir, apple and pear, chene rouge (red oak), and sapin du nord (northern pine).

If all this sounds like an exotic arboreal menu, the gastronomic version is even headier. Nick Brandt, the Swedish chef, runs a restaurant, l'Ancienne Ecole near Perpignan, with Monica Goold, the Chardon's manager, in the summer.

Champagne and canapes were served before dinner, and if one got peckish in between the vast breakfast and afternoon tea, there was always the fruit bowl.

The fruit bowl, however, is occasionally a source of frustration for Kemp. "However well-stocked we keep it, occasionally someone complains about the number of oranges at the bottom of the bowl. Even when you try to give people the best possible deal, they're still suspicious. Sometimes you just can't win."

■ *The Ski Company's holidays are sold by Abercrombie & Kent, Sloane Square House, Holbein Place, London SW1W 8NS, tel: 0171-730 9600. Top Ski, Val d'Isère: tel: 010 33 79061490.*

The end of the meat trade

Continued from Page I

different standpoints.

The conservatives think they see a rabble of hunt saboteurs, greens and weirdos on acid. Essentially they are transferring, en bloc, the alignments and the pejoratives that dominate the issue of blood sports to the cause of "defending the farmers".

The progressives, on the other hand, have a psychological problem. They are aggrieved that a protest movement, the dimension of which they had no inkling, and whose objective seems to be outwit their own jaded repertoire, should have attained such momentum.

A great variety of contributors, drawn from the social services, the landed interest, and TV "presenters" have all been invited to state the case for "the industry".

Let us look at their arguments. Some are trivial, overt prejudice and flimsy debating points. Others are founded in a rational or an economic approach, and serve to illuminate the whole dilemma.

First, the "What-about-the.. (fill in as inclined) "homeless", "babies in Rwanda", "underprivileged on our own doorstep" or, for those attempting the broader canvas, "human race"? One editor, deferring to the precept that "confrontation" must always be given emphasis, headlined a quite reflective piece "Calves versus Humans".

This approach is wholly ill-founded. I see that some authors might feel irritated that their favourite cause, to which they attach the highest importance, should have been overtaken in popular appeal by an issue which they had relegated.

But the deeper inference appears to be that at any given moment there is only a limited pool of human compassion. If too much is mopped up by one issue then there is not enough left for the others.

Not only is this untenable in logic, it is an inversion of reality. For as people's awareness of suffering and exploitation widens so should the human generosity of their outlook. And it should fall upon a whole range of issues which had not earlier concerned them because their perceptions were constrained by ignorance or habit.

Even less compelling, although widespread as well as distasteful, is the intention to demean the protesters by mockery of their personal appearance – "skinheads", "knitting nellies", "dressed as Greenham women".

Now I suppose that I am the only member of the Conservative party who had a lot of sympathy for the Greenham women in their early days and, indeed, earned particular strictures from the editorial columns of the Financial Times (at that time more Atlanticist than Europhile) for raising an Adjournment Debate in the Commons casting doubt on the agreement governing the deployment of cruise missiles.

And I do know history teaches that popular movements mocked for their attire – sans-culottes, decamisados – finish, as often as not, on top. In any case, it is the sheer breadth of social mix that gives the animal welfare movement its unusual strength, and a staying power that runs across several generations.

Anyone who attended the funeral service in Coventry Cathedral, of Jill Phipps, the veal flights protester who died under a lorry, would have felt themselves to be at the centre of a perfect Mori opinion poll sample. For here were groups, and individuals, between whom mutual aversion could safely have been predicted in any setting different from that which united them in commitment and belief.

All this makes for an extremely potent reservoir of political strength. How to assess it? How long will it persist in this shape?

When the temperature drops, as must inevitably happen, will this commitment live on – dormant, but capable of rapid and unpredictable ignition: a Maoist sea in which a certain extremism may swim?

Of course there are inconsistencies. Where do we interrupt the food chain? At what point does the cost become impractical? Does not nature, across the wild, provide subordinate species for the nourishment of stronger and more intelligent forms of life?

Questions such as these complicate, but do not demolish, the reformers' argument. Life for most people in the prosperous societies of the west is no longer nasty, brutish and short.

We have leisure, and security from which to contemplate the morality of inflicting – not intermittently, but day-by-day without remission – unbearable cruelty in the furtherance of our own profit and comfort.

Comfortable dissent is supplemented, among many, by a curious mysticism. There are growing numbers in the "consumer" society who see animals as creatures without guile or spite, carrying in their blood the mysteries of nature, whose forbears out-ran, and out-fought our own, in ancient forests.

This amounts to a subconscious reversion to the Orphic religion – pre-dating Christianity by 1,000 years – which taught that murdering animals is to throw into doubt the whole relationship between men, gods and beasts.

Much of this suggests that the days of the "meat trade", in its present form, are numbered. And that the prudent investor (of either political or financial capital) would do well to draw the appropriate conclusion.

PROPERTY

Golfing homes move out of the rough

Recession has dogged developers of residential properties on golf courses. But they are now ready to tee off again, writes Audrey Powell

Golfers and golf course builders have gravitated towards the sunnier parts of Europe as the popularity of the game and the demand for more courses has increased.

But golf courses are expensive to build. According to Hawtree, the British firm of golf architects, the cost of construction, an irrigation system, clubhouse and professional fees can bring the price of a 120-acre course with 18 holes to £3m. That does not include the price of land, if you have to buy it, and possibly getting a top tour player to have his name associated with tha project.

Green fees alone are not going to pay the bills. It seems golf courses can no longer "stand alone". People like to live near them, however. The trick is therefore to build and sell homes around courses.

The development of residential property around courses was a phenomenoo of the 1980s that went flat in the recession. Problems were compounded because some schemes worldwide were not well-planned. "France, for instance, has an over-development of poorly located and poorly designed courses," says Richard Wax, European representative of the Robert Trent Jones Group of golf course designers.

But worldwide demand is picking up again. The British are no longer the main buyers of golf-course properties abroad. German purchasers are mucb in evidence and the number of Scandinavians doing so is increasing; in Spain and Portugal, local people buy them as second bomes; and those famous golf addicts the Japanese do not bny much individually, but their companies scoop up whole developments.

In Spain's "golden triangle" of golf – in the south-east – the 4,400-acre, 30-year-old Sotogrande sporting estate just ticked over in the recessioo years, with little new building carried out. One of the four golf courses ou tha estate, Valderrama (£60 a round), now bas the fillip of being the venue for the 1997 Ryder Cup. Plots near the course are available from between £81,000 and £288,000, while completed properties range from £277,000 to £478,000. In the hills overlooking the course two to four-bedroom villas are £138,000 to £300,000.

Penha Longa near Lisbon is expected to outshine many of Europe's other new golfing developments

Most golf course properties offer benefits to buyers: at Sotogrande, they get shares in the "old" course.

Another part of the triangle is the San Roque Club, 15 minutes drive from Gibraltar and owned by Asahi Kanko SA, Japanese golf course developer and resort manager.

It was the dream of Tony Jacklin, former European Ryder Cup team captain, for a golf and leisure park to be built on this 340-acre site, once the country estate of the Domecq sherry dynasty.

He defined two linking circuits amid meadows, cork woods and streams. There were to be two villages of bouses, up to 50 apartments and 160 detached villas. Work was to start on the properties in 1989, but tbe recession meant the project was sbelved.

Yet, eveo though not much has been built, the development is still popular.

The old Domecq mansion makes an elegant clubbouse and restaurant, and pairs of single-storey suites around courtyards in the gardens form hotel accommodation.

Jacklin's own 12-bedroom property is oo the market for £1m. Large plots for villas are available, bordering the course or overlooking lakes. A three-bedroom design in half an acre could cost £185,000.

Still in the "golden triangle", British contractor Costain has bought Alcaidesa, a 4,500-acre site on both sides of the coast road from Gibraltar to Malaga.

It had envisaged three golf courses and 5,000 homes in the long term. Despite the recession, work began on the seaward side. A mile and a half of roads and an 18-hole course have been built, as well as infrastructure, landscaping and homes.

The development inclodes more than a mile of beach and has dramatic views of Gibraltar and the north African coast. More than 100 bouses have beeo sold at between £65,000 and £120,000.

The next phase of 40 to 45 villas is expected to start soon, and discussions with a developer and operator about a 600-bedroom low-rise botel complex hava begun.

Prestige Properties International arranges weekend inspection flights to the "triangle" from London and Manchester for £159.

Valderrama, in Spain's Sotogrande estate, aims to attract buyers by giving them shares in the estate's "old" course

The Algarve region of Portugal has 14 courses of 18 holes, with two more under construction. The area attracts 40 per cent of the British golfers who go overseas to play, says Andrew White, golf consultant with Brodie Marshall Hotels in London. White feels that many of the golf/residential developments that suffered in the recent recession only have themselves to blame. Some were built in remote areas, miles from an airport, and had experienced "disastrous" sales. Those close to airports were doing reasonably well.

The success of future golf-course developments will depend on their being within easy reach of direct flights to and from the capitals of Europe, to bring in those who can best afford to rent or buy such properties, says White.

Pinheiros Altos, a 250-acre Algarve development, is 20 minutes drive from Faro airport, set in pine forest beside a national park.

Work on the 18-hole course was begun in 1989 by the then site-owner London & Edinburgh Trust (LET), part of which became LET (Leisure), which then became Firago. LET was taken over by SPP, a Swedish insurance group.

Recently, the development has gone into Arab ownership in the form of JJW Ltd and JJI International Inc. Some 56 of the original 91 villa plots have been sold, with the price of a property (four bedrooms, pool and half an acre of land) averaging £375,000. There are plans for smaller houses selling from £190,000.

Parque da Floresta in the western Algarve is perched on a bilitop and has a steep 18-hole course. At the end of 1993 its future looked insecure. "Problems for property owners and staff touched every aspect of the site," says Mark McFadden, managing director of Vigia group, the UK consortium that now owns it.

> Many of the developments that suffered have only themselves to blame

When Vigia bought the 450 acres, which always had great potential, it paid the outstanding bills, dealt with repairs, trained the building workers and improved techniques.

Vigia is now building more houses, with views across the course and the surrounding nature reserve to the coast.

Bowling greens, tennis courts and a swimming pool complex should be ready this year. There will be riding, and a private beach club with yachting and sailing. Two-bedroom "town" houses are priced from £90,000; three-bedroom villas from £160,000.

Of the newest schemes, two golf/residential davelopments in Europe are set to outshine the rest.

One is Penha Longa, in the Sintra hills 25 minutes from Lisbon, which bosts the Portuguese Open this month. The 550-acre site in an area of outstanding natural beauty features a monastery and other monuments, wblch Japan's Aoki Corporation, tbe developer, is retaining. Penha Longa has an 18-hole course designed by Robert Trent Jones, plus a further nine holes.

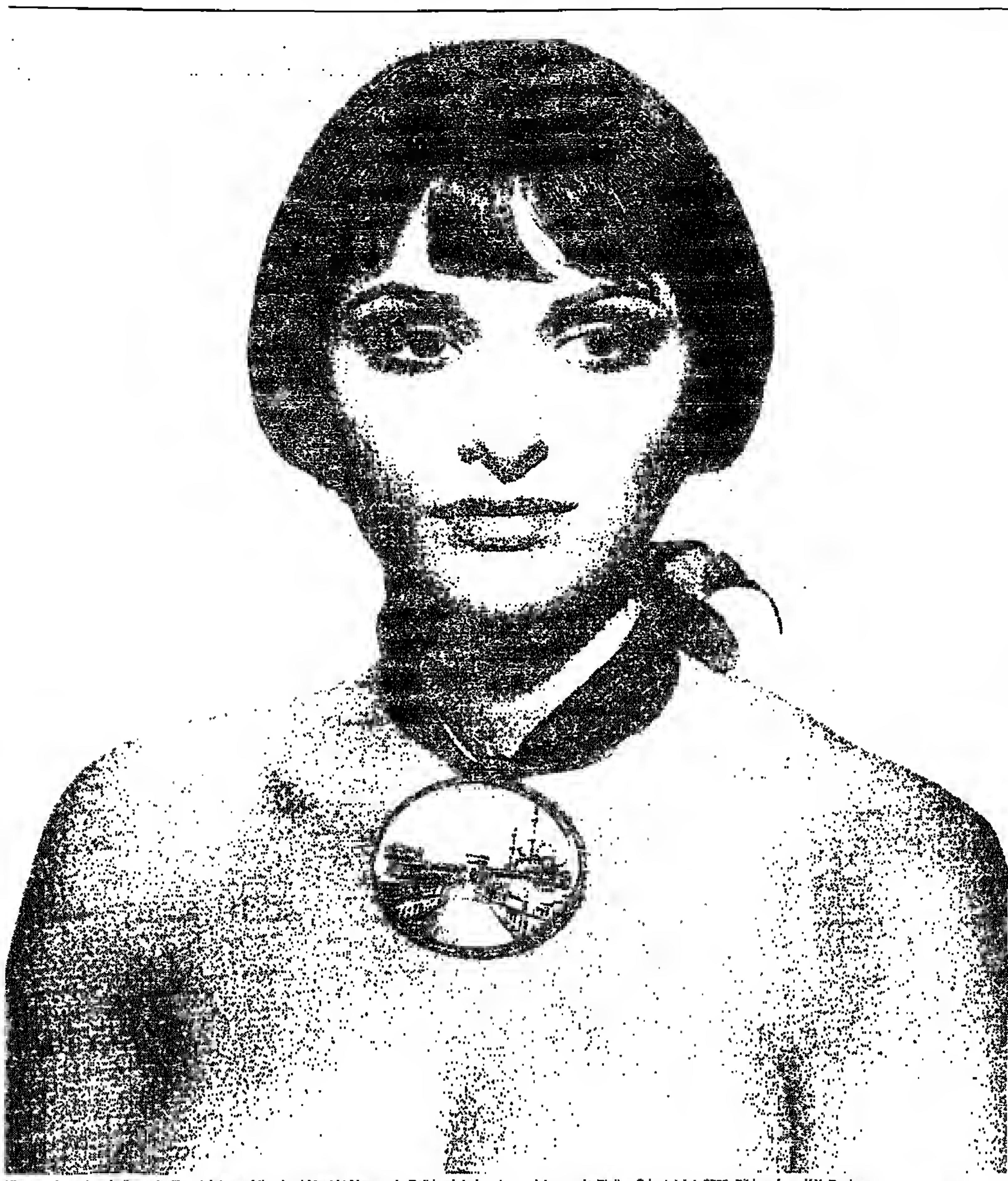
Detached three and four-bedroom houses with garage and pool will cost from £530,000. Six-bedroom villas are priced at £815,000 upwards. Included in sales are individual golf memberships worth £15,000.

Ten permissions have been granted for golf schemes in the Berlin area of Germany, but the 650-acre Seddiner See golf and country club being built 20 minutes from the centre of the city is attracting the most attention. The club will have two 18-bole courses opening next year. One is designed by Robert Trent Jones, the other by German golf architect Rainer Preissmann. The site, formerly agricultural land, has a lake, and golf lanes will run parallel to it. Total price for a house with land could be £1m.

In spite of the timing of the project, which began in 1990, there have been no financial problems. "We are in good shape and totally financed," says the club's managing director, Nicolai Siddig.

What is so special about the development? The location, the lake and the architects, said Siddig, and "we have the money – because the bank is our partner".

■ *Contacts: Volderrama, tel: (Spain) 56 796 430; Sotogrande (London) 0171-351 2385; San Roque (Spain) 56 61 3030. Alcaidesa (UK) 0171-705 8444; Prestige Properties (UK) 0171-409 2888; Pinheiros Altos (UK) 0171-602 9922; Parque da Floresta (UK) 0223-277623; Penha Longa (UK) 0171-493 8222; Lurot Brand (UK) 0171-402 1146; Seddiner See (Germany) 30 824 3475.*



Nineteenth century Indian grisaille miniature of the Jami Mashid Mosque in Delhi painted on ivory. Jehanne de Biolley Oriental Art, £500. Ribbon from V.V. Rouleaux

The art around your neck

Jane Mulvagh looks at the possibilities small paintings offer as jewellery

Most of us never think of doing anything with pictures other than hanging them on walls but there are some exquisitely fine pieces that could equally well be hung around the neck. A delicate grisaille, perhaps, of a 19th century Indian cityscape painted on ivory with a single hair: a souvenir of a grand tour of India. Or what about a portrait miniature of a powdered and pomandered 18th century aristocrat? Try suspending a minuscule Russian icon, a panhagia, from your throat or converting a Japanese lacquered inrō, originally used to carry medicine or a seal, into a piece of jewellery to hang on lacquer-red silk cord down a bare back.

Many of these tiny, exquisite objects go unseen and unappreciated. Conventionally they are destined for a gentleman collector's curio cabinet, where they lie hidden from the world under dark velvet sheets or shut tight inside bespoke gilded leather boxes. In salerooms and galleries one often sees miniature pictures from many cultures that could embellish a woman with a great deal more charm than some thumping piece of jewellery – nay mineralogy – flaunted to alert attention to her wealth rather than her aesthetic sensibilities.

Wearing a delicate painted miniature or object draws attention to its beauty and is a source of interest to those you encounter. At a garden party last summer, for instance, I saw a young woman wearing a Mughal Indian cityscape round her throat, the grisaille echoing the chiaroscuro of her cotton toile de Jouy dress. An elderly scholar approached and peering at the miniature inquired: "Do you realise that this is the Jami Mashid in Delhi, the largest Mosque in India, built by the Mughal Emperor Shah Jahan?"

Compared to logoed fashion jewellery and real gems, and certainly compared to huge canvas portraits and landscapes, these pictures of finesse, artistic merit and curiosity, are significantly undervalued. An 18th century European portrait miniature, for example, by Jeremiah Meyer, Nathaniel Hone, Gervase Spencer or Gustavus Hamilton, of the "modist school", can cost as little as £300 at auction, while an important late 18th century miniature by Richard Cosway or John Smart of England, the German Heinreich Friedrich Fuger (who was active in Austria) or Jean-Baptiste Isabey and Jacques Augustin in France, can be found for between £5,000 and £15,000.

The earliest portrait miniatures, according to Haydn Williams, the Sotheby's expert, were kept in turned ivory boxes, the very concealment underlining the private nature of the image. "Towards the end of the 16th century," he says, "the preciousness of the miniature was emphasised by mounting it in an elaborate jewelled gold and enamel pendant locket, such as the 'Drake Pendant', presented by Queen Elizabeth I to Sir Francis Drake in 1579. In the following century, as the size of the portrait increased, it became standard to frame miniatures in glazed silver-gilt or gold cases with the image open for inspection."

By the 18th century it had become fashionable to wear miniatures. Being a keepsake of one's beloved, it was typically worn on the left breast, close to the heart, or on a velvet or satin wristband, and admired surreptitiously under generous lace cuffs.

An alternative to the coloured miniature is the black silhouette painted on an ivory background. John Miers, John Field and Isabella Beetham working in late 18th England are particularly fine practitioners of this art and a piece should cost a few hundred pounds.

To the Orient for the inrō – typically a small, lacquered receptacle worn on a silk cord around the waist and used to carry the personal seal required for all business transactions.

It seems to have first been worn around 1320, the late Kamakura period. Later it was used to carry prayer papers or patent medicines and finally as a form of male jewellery promoted by Japanese dandies.

Sources:

■ *Jehanne de Biolley Oriental Art, 29 Conduit Street, London W1R 9TA. Tel: 0171-495 4257.*

■ *Eskenazi, Oriental Art, 10 Clifford Street, London W1X 1RB. Tel: 0171-493 5464.*

■ *P.S. Lavender Antiques, 160 Grafton Street, London W1X 3LA. Tel. 0171-529 1782.*

■ *Photographs by Terence Donovan. Styling by Jane Mulvagh. Hair by Fiona Corrigan for Stephen King. Make-up by Fiona Corrigan for Christian Dior.*

The dark sheets for the family

Lucia van der Post on new trends in old-style linen

For sweet old-fashioned traditional linens there is nothing to beat three old favourites of this column: The White Company, Cotton & Cologne and Antique Designs. Each has expanded in quiet but interesting ways.

The White Company, the youngest of the three ventures, was started by Christian Rucker, ex beauty and health writer on Harper's & Queen magazine, just a year ago to sell nothing but white bed and table linen and china. It obviously touched a nerve and met a need, for it took off instantly.

These days, however, there are some blue and white gingham poly cotton percale pillow cases and sheets, some quilted Indian bedspreads made from hand-blocked cotton, as well as wool rugs and blankets. But the new star of the show, in my view, is the absolutely plain pure white pique bed linen – and at £93.50 for a "super-king" duvet cover, £78.50 for a double duvet cover and £11.75 for the pillow cases, these are a luxury that many will want to afford. New, too, is a range of nursery bed linen, including an enchanting hand-knitted pram or cot coverlet (£48.50 and £35.50); some wonderfully old-fashioned Irish linen hand towels with deep hand-crocheted edges (£15.95) and honeycomb drying-up cloths.

Still in the catalogue is a big selection of plain white linen – some hand-embroidered, some crochet-edged, some with simple hand-drawn threadwork as well as that ultimate luxury, pure linen hem-stitched sheets (now £233.95 for a double sheet set and £265.95 for king size). For the new spring/summer catalogue ring 0171-385 7988 (Fax: 0171-385 2685).

Also expanding and going very nicely is Penny Kempton's Antique Designs business. She used to deal in antique textiles but when prices started to reach stratospheric levels and supplies began to run thin she decided to have a range of bed linen made to her specifications in China. All her designs are based on the antique designs that she used to sell, most are inspired by Edwardian or Victorian designs and most feature some hand-work, either embroidery, drawn threadwork or crochetwork. All are in nothing but white and all are made in pure cotton or linen.

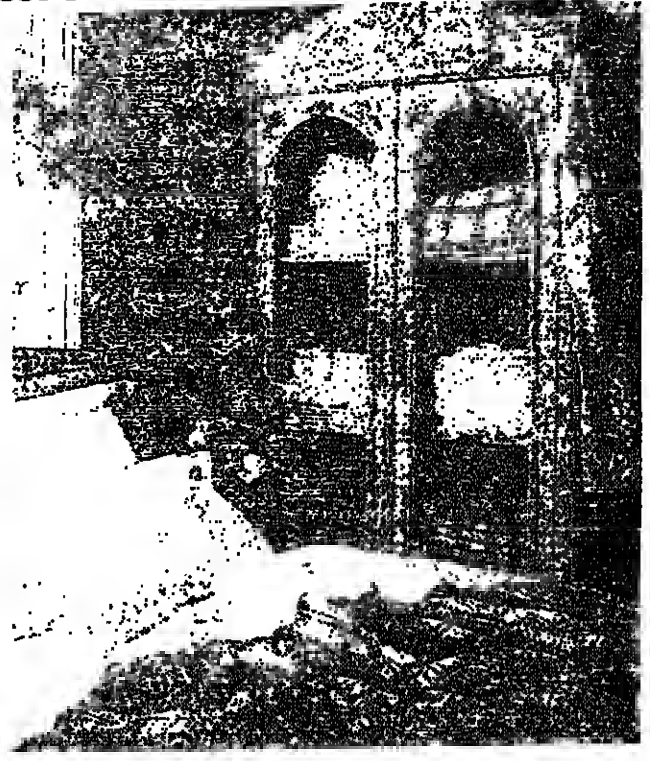
Her latest designs feature lovely deep crocheted edges – for instance a plain cotton sheet, double size, with crocheted edge would be £65, while continental pillow cases would be £46 a pair.

New, too, is a range of accessories, many of which would make charming presents – laundry bags, nightdress cases, handkerchief cases, brush and comb cases and cushion covers. Then there are the 100 per cent cotton nightdresses all of which are copies of antique designs – amazingly reasonably priced at between £21 for a checked nightshirt or a tucked nightshirt, they go up to £30 for a long-sleeved embroidered nightdress.

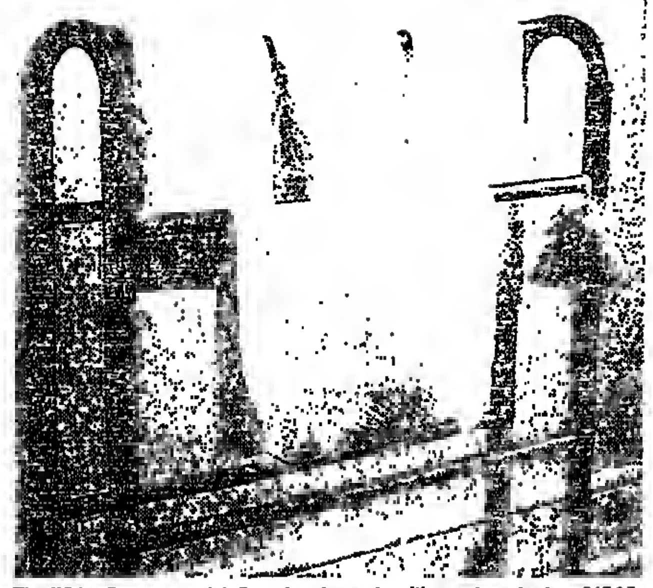
All Penny Kempton's designs can be bought directly from Antique Designs (the brochure costs £2.50 but the price is refundable from the first purchase) 1 Stretton Hall Mews, Hall Lane, Lower Stretton, Cheshire WA4 4NY (tel: 01925-730909, fax: 01925-730881). There are also lots of stockists around the country so telephone or fax for details.

More nostalgia from Cologne & Cotton which, as its brochure makes clear, "was established ... to re-introduce the pleasures of these two natural products: 100 per cent pure cotton bed and table linen, and a range of eau de colognes based on original 18th century perfumes". New to Cologne & Cotton are the 100 per cent wool blankets, all machine washable, and woven in Wales by Melin Tregwynt – in enchanting colourways (rose pink and white, blue and white, blue and white and yellow) they are £108 for the single size, £140 for the double and £154 for the king size.

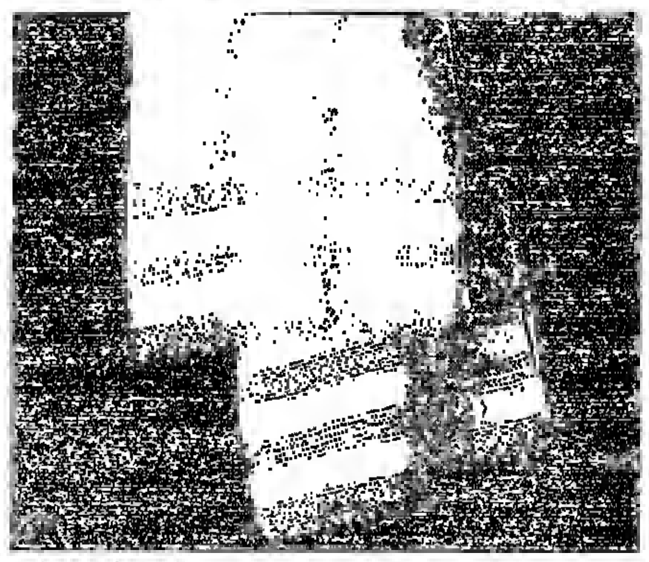
They also offer white cotton pin-striped nightdresses and shirts, gingham and checked bed linen and some absorbent cotton waffle products, most notably guest towels, bath mats, a bathrobe (very crisp and clean looking for just £55) and, of course, the old-fashioned colognes. Write to Cologne & Cotton, 74 Regent Street, Leamington Spa, Warwickshire CV32 4NS for the brochure (everything can be bought by mail order) or visit the shops in Leamington Spa or at 791 Fulham Road, London SW6.



Part of the Cologne & Cotton range



The White Company: Irish linen hand-towels with crocheted edge, £15.95



Antique Designs: decorative bolster cover in linen (£52) or cotton (£40)

M&S delivers in the home

Once upon a time, if you lived in those places far away from useful chainstores and chic little boutiques, there was nothing for it but a long foray into a city centre when you wanted to buy a new piece of furniture.

That may once have been fun – my mother would put on her hat and gloves, meet her friends and have lunch "in town". But these days, when convenience is much more important, you are just as likely to reach for the mail order catalogue.

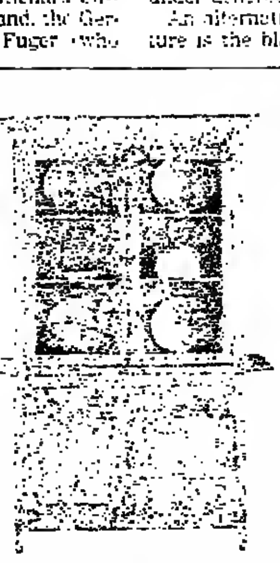
Those who have wondered why Marks and Spencer failed them so lamentably on the household front when it delivered so splendidly in the clothing and food departments, might like to know that the group's spring and summer brochure is a big improvement on what has gone before.

Nothing here is avant-garde, innovative or likely to raise an eyebrow – but then that is not what we expect from M&S. Here we have good middle of the road taste: comfy sofas and chairs, in a variety of shapes and some excellent fabrics.

Look, too, for a range of commendably plain oak chests of drawers, wardrobes and dressers – Shaker-inspired but nevertheless useful for all that.

The collection still lacks the clear, consistent handwriting of, say, Habitat, Jerry's Home Store or Global Village but then it does offer many things to many people and those who look carefully will finds lots to interest them. Prices are not particularly low but the quality and value looks good. There is also one great advantage – included in the price is delivery *and* the furniture will be unpacked and placed exactly where you want it.

The catalogue is available in all M&S stores for £1.50 or if you have an M&S chargecard you can order it by telephone (tel 01925-851100).



Small Lichfield dresser, £550

Immerse in nostalgia

Lucia van der Post looks at the allure of old baths

There are those for whom avant-garde shapes, modern materials and efficient plumbing cannot compete with the charms of the bathrooms of vanished times.

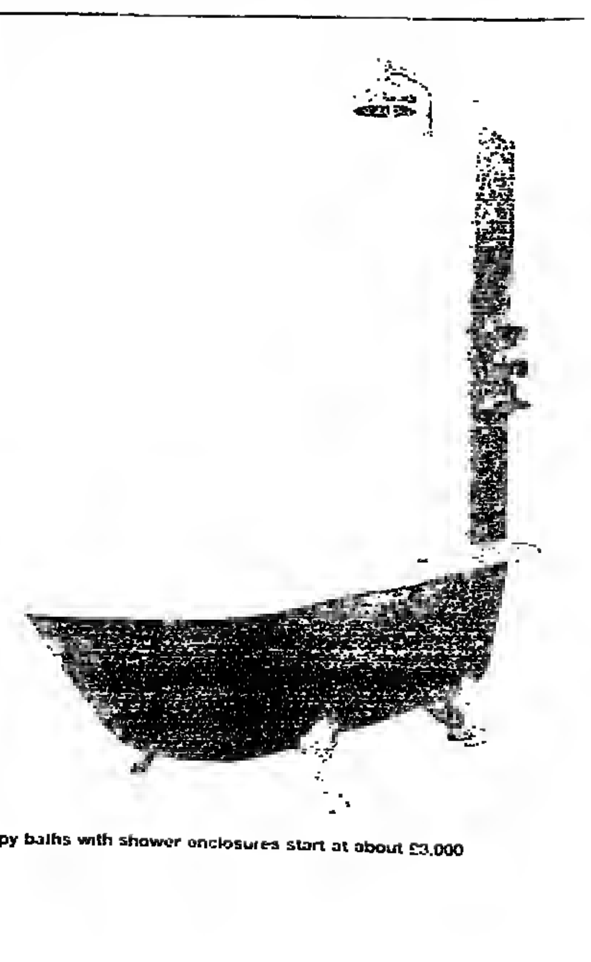
Whether this nostalgic preoccupation with the delights of yesteryear is wise is beside the point – for those who hanker after an old-fashioned roll-topped bath, nothing else will do. And it is not just out and out traditionalists who buy them – many a modernist, including it seems Sir Terence Conran, who has ordered one for his new Docklands apartment, are attracted by their pleasing shapes and their large, deep, capacious bodies.

Charles Burnett-Hitchcock has made it his business to provide all the appurtenances for the retro bathroom. Most of what he sells is the genuine article, found in old houses in England or France, stripped to the bare bones, de-rusted, buffed by hand, then re-enamelled with several coats of enamel. When they are fully restored and made to work with modern plumbing they are put on the floor of his warehouse in Devon. He also does a range of reproduction baths, including a fibre-glass baby bath copied from an original French version and selling for £99.

He sells baths, including the traditional French roll-top versions with ball and claw feet ("the older, the better"), canopy baths (as in the picture here) with shower enclaves at one end, basins, lavatories, cisterns, shower-heads and all the other fittings the properly furnished bathroom requires.

Prices vary enormously – an English 5ft bath ("which to be truthful is the bulk of our business") sells normally for between £400 and £500, whereas a grand canopy bath with a shower enclosure could easily be £6,000. In between there are Victorian, Edwardian and Art Deco pieces. Also very popular are adult-sized French roll-top baths, normally priced between £800 and £900. Basins vary from between £40 and £250.

Those looking to create an authentically period bathroom should visit his warehouse at Ivybridge in Devon which is open from 8.30am to 5.30pm from Mondays to Fridays and from 10am to 1pm on Saturdays. For those who cannot get there, David Burnett-Hitchcock has a brochure which he will send free by mail. As most of his pieces are one-offs, it concentrates on explaining the concept behind the business and the range of baths and accessories normally to be found there. He encloses with the brochure a computer print-out of everything that is in stock on that particular day. He is happy to deal with inquiries by telephone. For the brochures or other inquiries write to Antique Baths of Ivybridge, Erme Bridgeworks, Erme Road, Ivybridge, Devon PL21 9DD, or telephone 0752-698250.



Canopy baths with shower enclosures start at about £3,000

FOOD AND DRINK

Where only the women can cook

Nicholas Woodsworth samples the abundance of food and markets in Morocco

When the sun begins setting on Marrakesh, Djemaa el Fna – the great square in the centre of the city – becomes the heart incarnate of the Mysterious East. It gets so crowded with snake charmers that there is barely elbow room, even for snakes.

There are story-tellers, acrobats, musicians, jugglers, prestidigitators, soothsayers, tooth-pullers, mendicants and mountebanks – entire contingents of brochure blurb-writers would have trouble conjuring up such characters.

After an evening of wandering, though, I grew hardened to such exotica. When you have seen one length of rope rise skyward from a laundry basket you have seen them all. What kept me coming back was an equally exotic sight – the food.

There are more than 100 food stalls set up each evening in the Djemaa el Fna. As the sun sinks and the pinky-orange buildings of Marrakesh take on a deep radiance, an army of food vendors begins trundling its stands and stalls into the square.

They set up trestles and benches, lay out plastic table cloths, stack enamel plates and fill buckets for the washing of dishes. Gas cylinders are hooked up for cooking and long metal grills of charcoal are lit. From tall poles over the tables, gas lamps are suspended and set hissing. Pans sizzle, pots bubble, kettles steam. By the time the sky above is black and the sun no more than a deep glow on the horizon, the Djemaa el Fna has become a vast kitchen illuminated by a starry constellation of bright lamp lights.

And then the crowds descend, mysterious bodies wandering through a thick billowing of charcoal smoke. Like hundreds of others I gazed, ambled onwards, compared, retraced my steps and gazed again searching for the stands that took my fancy.

I enjoyed visiting the fruit stalls, architectural marvels of pyramidally-stacked oranges dispensing glasses of freshly-squeezed juice. Next door, I decided against a plate of steamed snails and the impromptu little forks – straightened safety pins plunked into glasses of water – used to eat them. I also steered shy of large piles of sheep's heads. They seemed to peer at me with a certain recrimination.

Instead, I followed the crowd into dense clouds of smoke drifting from one particular stand. Behind it, their eyes reddened, their forks flashing incessantly, three men could barely keep up with demand – served with flat bread and a spicy sauce, their grilled sausages were drawing large numbers of hungry diners.

Here was a mystery as deep as any in the east. Was this not Morocco, a country which Paula Wolfert in her wonderful book *Good Food from Morocco* (£9.95) rates as one of the world's great cuisines? Were we not surrounded by stands selling scores of different kinds of food, including many varieties of couscous and tagine – some of the most complex, subtle and refined dishes that Morocco has to offer? Compared with this stall they remained underpatronised. Why, I wondered, was a thing so simple as the humble sausage proving so popular?

Fatima Lakrik prepares the evening meal

A spice seller piles his wares in Marrakesh. As the sun sinks and the city's buildings take on a deep radiance, a small army of food vendors begins to put out its stalls. Hutchison Library

I began finding the answer over the next few days as I made my way across the country: most Moroccan restaurant food is simply not very good.

In general, it is so unvarying, so poorly cooked and uninspired, that it soon becomes dull. No matter how fancifully decorated they were, no matter how orientally lavish the service – I once found myself gently showered with rose petals by a mustachioed waiter in pointed slippers – the restaurants all seemed to offer the same thing. Overcooked couscous and a tagine of dried-out chicken sprinkled with olives is hardly world class.

Yet Wolfert – a judicious and highly-praised authority – continued to draw me on, encouraging me to hope I had merely hit an unlucky string of dud meals. For according to her, Morocco, like France or China, satisfies all the conditions necessary for a truly great cuisine.

First, she says, Morocco is a land of plenty, offering the climates of the Mediterranean, the Atlantic, the mountain, the desert and the fertile plain. From the first bite of a meal to the last sip of mint tea, it provides a vast array of fine ingredients.

Second, it has been influenced by a variety of cultures. Berber by origin, Arab and Middle Eastern by conquest, Morocco invaded and borrowed from Spain and parts of black Africa; today, culinary influences from as far afield as Andalusia, Persia and Senegal make Moroccan cooking unlike any other.

Third, Morocco has had the great civilisation without which great cooking cannot develop. When European cities were deep in the Middle Ages, Wolfert points out, Fez was a sophisticated city, a centre renowned for its arts, sciences and philosophy. Such standards were reflected in its food.

Last, like all great cuisine, Moroccan cooking benefited from the existence of a palace culture; a vibrant folk culture aside, the four great royal cities of Morroco – Fez, Meknes, Rabat and Marrakesh – provided in their opulent courts the stimulation to inspire palace chefs to new heights of perfection.

I did not feel like cadging dinner from the back of the present king's kitchens. I simply wanted a good meal. By the time I got to Essaouira, an attractive fishing port on the Atlantic coast, I was wholly frustrated. And then, suddenly, it all changed.

I was strolling about the market inside the town walls, looking at the produce. It was magnificent.

There were stacks of fruits and vegetables as rich and colourful as anything in Provence. There were products from the desert oases – sweet dried figs on strings, ruby-red pomegranates, sticky, golden-brown dates. Grain-fed pigeons, rabbits, and turkeys clucked and cooed in cages. Walnuts, chestnuts, almonds, raisins and prunes sat heaped in mounds. Six-foot conger eels lay splayed over counters. Fragrant mint stood in tall bunches. Olives, green, black, pink, yellow, swam in vats with parsley, with garlic, with chilli. And from the spice market bright little pyramids of cumin, pimento, and coriander wafted the headiest of odours my way.

I was baffled. Where, for beaven's sake was all this wonderful, mysterious stuff going? Certainly not to the eating places.

And then it struck me. All the shoppers here were women. Yet none of the food vendors on the Djemaa el Fna, none of the cooks in the restaurants I had eaten in, were women. We sometimes miss the most obvious things. Could it be as simple as that?

It could. Moroccan men make dreadful chefs. A few hours later I found myself in the Villa Maroc, a small, upscale hotel with a private kitchen, in the company of Souad and Fatima. My discovery of female cooks was the cause of some amusement.

"It is only women in Morocco who know anything about cooking – men just like to eat," Souad laughed at me as she began preparing the evening meal. She has lived in Europe, and knows of male pretensions in the kitchen.

"In our country cooking has always been the work of women. It is a tradition passed down through families. We spend a lot of time in the kitchen. Daughters learn from mothers, one generation after the other. We have no cook-books here, no cooking schools, no television food programmes. How could you expect men to do anything properly?"

I had no answer for that, but spent the next few hours watching women do everything properly. And as they worked I began see how many different elements – ingredients and techniques, the subtleties of spicing and the contrasting of tastes, the importance of visual appeal and an attitude Paula Wolfert calls the "philosophy of abundance" – could indeed make Moroccan cooking a world-class affair.

"Take even a simple *kefta* tagine," Fatima said to me as she lit a charcoal fire and prepared the all-important tagine sauce – in this case a mix of tomatoes, onion, parsley, garlic, pimento, pepper and cumin. "In most restaurants they cook on gas. Pre-cooked sauces and meats are beated together, and at the last minute poured into a tagine bowl. It is all wrong."

I watched her roll small balls of spiced mince and add them to the sauce.

"They should be simmered slowly together, like this, over charcoal, in an earthenware tagine bowl. And if the bowl is not wearing its hat," she added emphatically, placing a high conical terracotta lid on the bowl, "it will not be right."

It was the same with each dish – here as everywhere else classical cooking is practised, patience, respect for tradition and attention to detail are vital ingredients.

Thus, the cracked wheat of Souad's couscous was steamed not over any water, but the water in which the accompanying vegetables were cooking. Not only was her baked fish stuffed with calamar, shrimp, rice, and red olives; it was marinated for hours before in a cumin and sweet red pepper sauce. Even the *harira*, an everyday Morrocan soup of chick-peas and lentils, was rich and subtle with unexpected flavours – egg and parsley, tomato and coriander, celery and saffron.

When it was all over, the guests were fed, and we were relaxed over bowls of harira, I asked Souad and Fatima the soluton to dining in Morocco was.

"Hire a cook," said one.

"Get married," said the other.

I did not go to such lengths. But, except when dining *al fresco* with the magicians and cooks of the Djemaa el Fna, I have a trick – getting my head through the kitchen door for a peek at the chef.

From left, front: John Spiteri, Trevor Gulliver, Fergus Henderson and the staff at St John Ashley Ashwood

All white on the night

Nicholas Lander finds a special place for lunch in the city

After my first dinner at St John I awoke in the night with a headache. Honestly, I had *not* drunk too much.

I had shared a bottle of Boillot's 1992 Bourgogne Rouge (£18.75) and finished with a glass of Kummel. My meal, cooked by Fergus Henderson, was roast bone marrow and parsley salad followed by grilled ox tongue and junket.

I think I know now what I was suffering from: the effects of all the statements – design, culinary and vinous – the team behind the St John is trying to make.

When the restaurant's partners – financier Trevor Gulliver, chef Fergus Henderson and front of house Jon Spiteri and Henderson – took it over, they chose white for the walls, tables and ceiling – and the staff clothing. No chance of mistaking the designer-dressed staff from the designer-dressed customer here.

The only break in the white decor is provided by black, factory lamps.

The design is there to emphasise the cuisine. Henderson, a trained architect, and Spiteri wanted to create an "eating hall" in which little distracted from the food. To the absence of colour must be added an absence of music, paintings, flowers and candles. Walk in and it is eyes down on the menu.

The *carte*, white with black lettering of course, could have been written by a newspaper headline writer. No description is longer than five words, some no more than one or two: milk soup; lamb's heart stuffed with swede; ham in hay; baked hake & spinach. Desserts include: steamed pudding, tapioca pudding, chocolate slice, cheese with or without a bowl of walnuts, and that much neglected dish, Welsh rarebit.

The cuisine owes its origins to The French House Dining Room, a nine-table restaurant which Henderson and Spiteri opened above The French House pub in Dean Street, Soho (0171-437 2477) in 1992. It is is now run by Margot, Henderson's wife, and the move to St John, which seats 100 with a private room for 20, has allowed the men to express their culinary preferences on a larger scale.

Speaking virtually with one voice they outlined their likes and dislikes. "We wanted to get away from menus which include such phrases as 'on a bed of this or that' and the word 'nestling'. We know that if you put scallops and lamb on the menu that is all you will sell.

"In fact you could open a restaurant called 'The Scallop and Lamb' and you'd be full every day. So we don't serve either scallops or lamb. Nor do we serve pasta, risotto, grilled peppers or basil. There are enough restaurants in London cooking these dishes."

Instead, their symbol is the pig, which figures on their menus, ashtrays, and matches and its virtues are encapsulated on the bottom of the bill in the phrase "nose to tail eating". Henderson cooks everything from brawn to pig's trotters.

This emphasis on foods which other restaurateurs have largely ignored means exciting eating at keen prices. Pork rillettes (£4.50), a salad of grilled potatoes, anchovies and olives (£4.20), sea kale, spinach and red onions (£4.80). Main courses costing under £9 include: boiled beef, carrots and green sauce; smoked haddock, bacon and mashed potato; and ham steamed in hay.

Bread and desserts are made by Dan Lepard, a talented pastry chef. (They will shortly be installing a full bakery which will retail the bread).

My biggest criticism is that Henderson has allowed his architectural discipline to dictate an all-French wine list. "I don't want the flavours going all over the place," was Henderson's defence. However, the strong flavours of his cooking would benefit from a glass of California Zinfandel, Italian Barbaresco or Australian Shiraz.

St John is unlike any other restaurant in London – and the city is the richer for it.

■ *St John, 26 St John Street, London EC1M 4AY. Tel: 0171-251 0848, fax 0171-251 4090. Closed Sunday evenings.*

Appetisers

Go for youth

The current batch of wines shipped to the UK from Chile seem to be about twice as convincing as their immediate predecessors.

I would recommend buying the youngest Chilean vintage you can lay your hands on. (The somewhat sluggish US market still seemed to be bunged up with 1992s and their antecedents on my last visit there.)

To prove the point, Safeway has a 1994 Cabernet Sauvignon at just £3.45 that is bursting with colour and fruit – just the sort of young, unwooded red Safeway seems to take a particular shine to – and made by peripatetic Jacques Lurton at the San Pedro winery.

The 1994 Chilean whites are particularly good and Carmen Reserve Chardonnay 1994, £4.99 at Oddbins, seems a particularly good buy.

Jancis Robinson

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John Armit Wines is currently offering its latest pick from Argentina, South Africa, Australia, California, Oregon and Spain. This is therefore the moment to seize if you have ever been impressed by the dazzling South African white wines of Mulderbosch. Its barrel-fermented Sauvignon Blanc 1993 is £98 a case while the 1994 Chardonnay is a neat £100. *JR*

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More serious white wines, however, are on offer at Laytons, the ultra-fastidiously made collection of 1993 white burgundies, Belgian fanatic Jean-Marie Guffens' Côte d'Or bottlings under the Verget label and those from his own Guffens-Heynen vineyards in the Mâconnais.

Unlike Armit, Laytons allows its customers to buy by the single bottle, but case

prices vary from £106.80 for an admirably superior Macon Pierreclos Blanc to £631.20 for grand cru white Batard-Montrachet or Chevalier-Montrachet. These prices make the 20p look just a mite absurd, but five of these super-concentrated wines are less than £200 a case. *JR*

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The deep pleasures of eating in Italy are not to be rushed. And Arcigola Slow Food, an organisation centred in the town of Bra in the gastronomically blessed Langhe area of Piedmont, knows it.

Founded in 1986 by Carlo Petrini and a group of amiable friends it has now evolved into an international movement.

The group believes that slow and prolonged enjoyment, is the best defence against the encroachments of "the fast life". And the place to start is at the table.

Arcigola Slow Food has now published a guide, *Osterie d'Italia 1995* L36,000 (£13.99), which lists more than 1,400 of Italy's best traditional *osterie* and specialised wine bars or *enoteche*, by town and region.

The guide is published in Italian and German but there are plans for an English edition.

The guide concentrates on eating places which offer regional cooking and regional wine at reasonable prices (less than L50,000 per person).

Jennifer Pagonis.

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The Fifth Floor Restaurant in Harvey Nichols, London SW1, (0171-235 5250) responded when business on Monday nights became quiet by removing the restaurant mark-up on wine purchased in their wine store. Eat and drink in the restaurant, café or bar on Monday nights and you pay only the retail price of the wine.

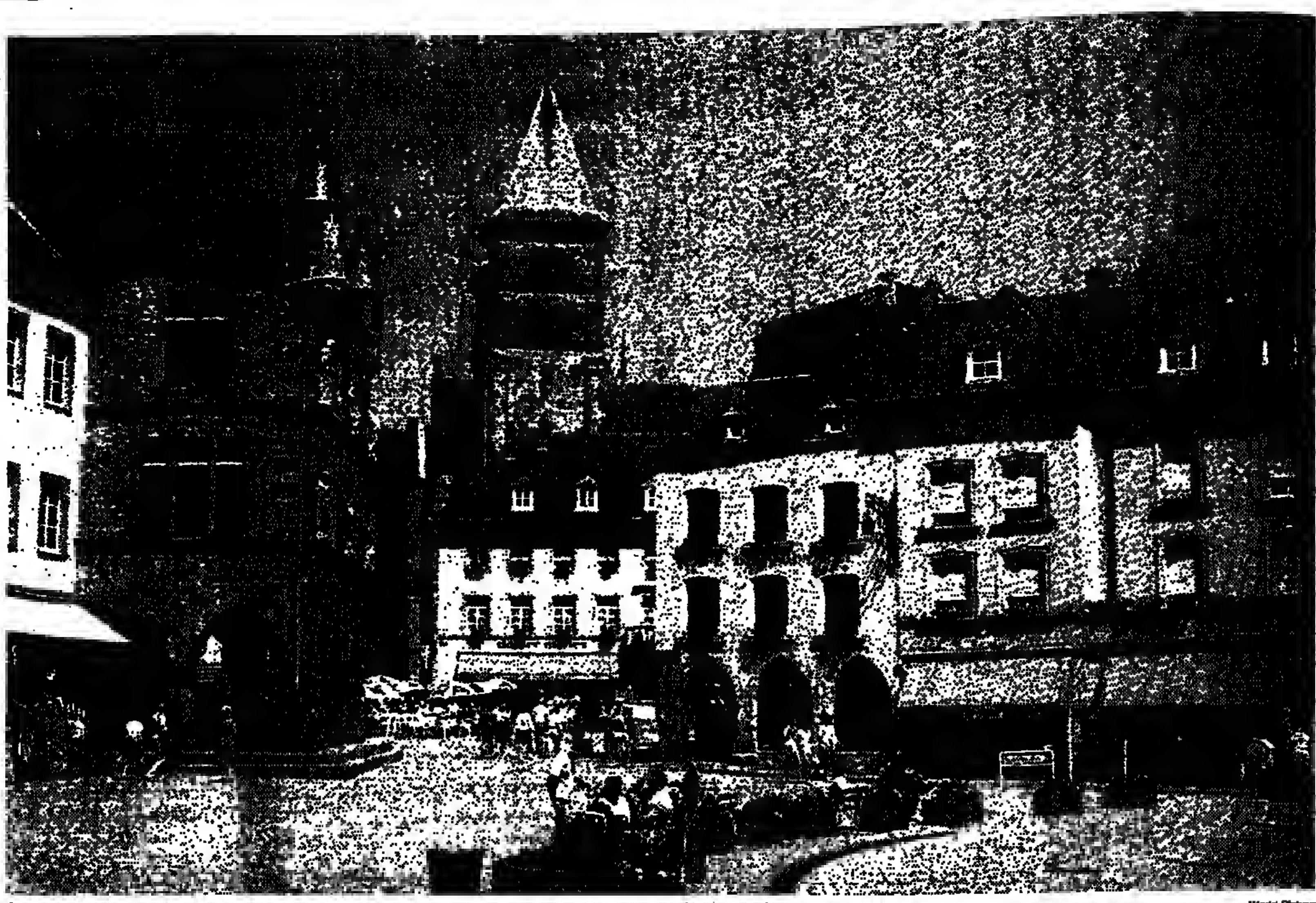
Now the restaurant's management has decided to apply the same pricing policy to sweet wines, which have been declining in sales, every day of the week. From an extensive list you will pay £5 for a glass of Louis Roederer's Champagne, £3 for a 1980 Vieux Rivesaltes and £4.25 for Lenz Moser's 1976 Trockenbeerenauslese.

Nicholas Lander

TRAVEL

A visit to Europe's prim maiden aunt

Adrian Gardiner drives through Luxembourg, one of the world's cleanest and safest nations



Cafés and clean courtyards in Echternach: an attractive town in Luxembourg famous for its skipping procession on Whit Tuesdays — World Pictures

South of Brussels, the E25 was almost deserted. Driving through the beautiful forests of tbe Ardennes I passed no more than a dozen cars in the hour, tyres swishing through the snow. A winter sun sank below the treetops and headlights made the frosted verges and petrified shrubs sparkle. Outside, the temperature was 17°F.

A decade ago, the motorway stopped at the Belgian border and you crawled the last 10 miles into Luxembourg City through Arlon, a village of hypermarkets, discount stores and cut-price petrol stations. Now, the road sweeps out of Belgium past a new second world war mueeum and straight into Luxembourg City.

This is the cleanest and safest capital in Europe, perhaps the world. The visitor's first impression is of a great clutch of banks: more than 130 at the last count. The country's wealth came from steel but today, with iron ore deposits depleted, it has diversified into banking, communications and tourism.

Luxembourg's first economic union was with Germany but this dissolved as a result of the first world war. Luxembourg then turned to Belgium, and in 1943 they joined with the Netherlands to form Benelux.

Five years later Luxembourg gave up its neutrality to join international political, economic and military organisations and soon after, the City of Luxembourg was chosen as the provisional seat of the first supranational community, the European Coal and Steel Community.

The Treaty of Rome followed in 1958, setting the wheels in motion for the European Economic Community. A prize inaugurated in 1966 commemorates Luxembourg-born Robert Schuman, founding father of the common Europe. Recently it was awarded to Jacques Santer, Luxembourg prime minister and now president of the European Commission, for "devoted work towards a unified Europe".

Luxembourg today is the seat of the European Court of Justice, the European Investment Bank and the European Monetary Fund. Preserving its reputation for honesty and integrity, Luxembourg law strips the right to vote from those sentenced for fraud or larceny.

> Everyone appears to drive a Mercedes or, at worst, a large Audi

Few countries in the world are more politically and economically stable. Inflation is low; unemployment virtually non-existent. Disposable incomes are high. I saw no lager louts, no cardboard-box cities. Everyone appears to drive a Mercedes or, at worst, a large Audi.

How do they do it?

"We have a proverb," says Georges Hausemer, local writer and historian, "which would translate as 'a child's hand does not take much filling'."

It is a small country and the capital's population is the size of an average provincial town. Straddling a rock, it contains an historic centre and the remains of a medieval castle: the *Lucilinburhuc Castellum* which Count Siegfried, a descendant of Charlemagne, swapped for an abbey at Trier in AD963.

In 1815, the Congress of Vienna established the Grand Duchy, ruled ever since by a dynasty of Dutch origin. Grand Duke Jean has been on the throne since 1964, when his mother abdicated in his favour. His 30-year reign has seen only three prime ministers.

Luxemburgers retain their own dialect, Luxemburgisch, but also speak French and German (the former is preferred in correspondence and on official documents). English is widely spoken. The people are rather serious and well-behaved; in temperament they are somewhere between Teutonic formality and Latin flippancy. Luxembourg is the prim maiden aunt of European countries.

We leave the capital, with its etreet cafés, 17th-century cathedral and Casemates – 15 miles of rock tunnels underneath the city – for a drive through the country. To the south lies the Red Earth Basin. The town of Esch-sur-Alzette still produces steel, but much of the country's industrial heartland is being redeveloped for leisure and heritage preservation: witness the new mining museum at Rumelange and the Sentier du Sud, a long-distance footpath.

Heading east, it is a few miles to the River Moselle, the border with Germany. We turn north on a road sandwiched between river and vineyards, stopping at one of the many caves to sample some excellent méthode-champenoise.

Although the Romans produced wine here, the industry was established only in recent years: one of the largest caves, that of Bernard-Massard, was set up by an immigrant from the Champagne district of France in 1921.

The Moselle joins the River Sûre which follows us to Echternach, one of the country's most attractive towns. Many places in Luxembourg commemorate historic events with festivals, and Echternach is no exception with its *Spring-procession* – a skipping procession – which is held every Whit Tuesday.

The town also boasts a fine basilica and the ruins of a Roman palace.

We are on the edge of the area Luxemburgers know as "Little Switzerland" (follow the road south towards Mullertal). It is an eco-tourist's delight: a verdant, silvan landscape of crystal-clear streams amid stately oaks and beeches.

"I love this country," wrote Victor Hugo, "its beautiful and savage places . . ." Hugo first came to Vianden in 1862: admirers recommended the area as a proper retreat for the romantic writer to work and meditate in. But the poet, playwright and novelist also dabbled in politics and when Louis Napoleon, president of the new Republic, proclaimed the Second Empire, the staunch democrat Hugo attacked him with contamptuous speeches and pamphlets.

Hugo went into exile for the next 19 years. Vianden was the ideal place. Thirty years earlier, be and his mistress, Juliette Drouet, had searched Europe for "a little valley threaded with mysterious twisting paths".

After the tensions and unrest of Paris and Brussels the serenity of Vianden increased his output: there were poems, plays, biographies and novels, including *Les Misérables*.

No less prolific was Juliette. From the moment they met she gave up everything for him, including a royal lover and a theatrical career. It is calculated that she wrote him 18,000 letters, although they were rarely separated for more than a few hours.

The 9th-century town of Vianden – meticulously-preserved, like all old towns in Luxembourg – is dominated by an enormous feudal castle on a rocky outcrop. Once the home of the Counts of Vianden, it is now a national monument. Hugo's house, in the valley, is a museum.

Having come this far, yon should not miss Clervaux and Esch-sur-Sûre. A lake near the latter, the Obersauersee, provides opportunities for canoeing, sailing, eurfing, swimming and fishing. Diekirch is another attractive town, with a centre closed to traffic, Roman mosaics and the famous Donkey Fountain.

Back in Luxembourg City I absent-mindedly put some coins in what I take to be a parking meter. It delivers not a parking ticket but a plastic bag. It is a simple and effective solution to the problem of foul dogs, and one which Britain and other countries would do well to adopt.

■ CITY OF CULTURE EVENTS: *A full list of events is available from the Luxembourg Tourist Office, 122 Regent Street, London W1R 5FE, tel: 0171-434 2800. Exhibitions, concerts and other events are not centred in Luxembourg City but are spread around the country. Principal venues are: Château de Bourglinster; Eglise St-Laurent in Diekirch; Conservatoire Municipal in Esch-sur-Alzette; Eglise Décanale in Clervaux; Caves Co-operatives at Wellenstein; Domaine Thermal at Mondorf-les-Bains and the Château de Vianden.*

Principal venues in the city are: Casino Luxembourg, 41 Rue Notre Dame (close to the cathedral); Théâtre des Capucins (north of the Place de la Constitution); and the Théâtre Municipal, north of the city centre along the Avenue de la Porte. At the Casino, an major exhibition of post-impressionist art, called Luxe, calme et volupté, runs until March 26.

A discount ticket covering all 19 paying exhibitions is available from BP 635, L2016 Luxembourg.

Awestruck by whispers

James Henderson visits a dagoba

In tbe hooks about Sri Lanka you read that there are enough bricks inside some of the island's dagobas – the rounded temples that stand like vast white water-droplets in the jungle – to construct a wall three-feet high from London to Edinburgh.

They are truly massive; fitting buildings at which to witness tbe divine. Bnt unlike most religious buildings, dagobas have no interior. They are merely a focus for worship and are solld inside.

This is what makes the Gangatilaka Vihara dagoba, at the roadside in Kalntara abont 30 miles south of Colombo, a little strange. As here, you can enter the building, and see its buge dome-roofed hall, painted white with statues of Buddha and illnminations from his llfe. At the centre stands another, smaller dagoba. It is peaceful and awe-inspiring. But the magical thing about the place is its acoustic quality. It is a vast whispering gallery.

So many religious huildings use great size as a way of impressing humans with the magnificence of the divlne. The hoge, cavernous interiors of Christian cathedrals dwarf us into silent wonder and then the acoustics have their way.

Of conrse, many western cathedrals also have a whispering gallery, a simple and satisfying trick to impress the faithful.

Most dagobas are reliquaries of which tbe Temple of the Tooth at Kandy is the best known, the tooth referring to one of Buddha's own. But the most sacred thing about the Gangatilaka Vihara is the bo tree (important in Buddhism because that is where the Buddha attained enlightenment).

The dagoha, which has recently been restored, is not that old, though it was huilt on the site of an ancient temple (a gubernatorial mansion interrupting the continnity dnring colonial tlmes). It stands on an island and is one of the most popular temples in Sri Lanka.

I arrived on a full moon day, also special in the Buddhist calendar because the Bnddha was born, attained enlightenment and died on full moon days. In the street was a half-mile procession of children. Tbey filed past in groups: drummers and cymbal players, rice tossers, pot bearers, flag bearers. Dressed in embroidered waistcoats, they danced as they moved, stepping left, then right and leaning down to the ground. An elephant lumbered past followed by some young monks in the back of a pick-up truck.

I turned into tbe dagoba yard. Around the walls of the white dome, the faithful were gathered making their devotions. They first offer fragrant flowers – lotus lily and frangipani – at the Buddhas, then tiny clay lamps burning with coconnt oil. Then they chant their thanksgiving qnietly under the bo tree.

After taking off my shoes, I entered the dagoba and walked silently up the curving stairway into the main hall. Overhead was a huge sky-like ceiling, perfectly rounded and painted white.

At the centre was the small dagoba and the four Buddhas, tbeir tables covered in flowers. Around the outside were the paintings normally seen in a shrine room, depicting the Buddha's life and his route to enlightenment.

But it was tbe noise that was so impressive. There were abont 200 people in the room and they were constantly moving and talking. As I stood against the wall, noises reached me from all around, in shifting and shuffling echoes.

The normal impact of the noise was dissipated, like sound reflected on corrugated iron: a clap was stretched into a hiss like a hreaking wave, each screech by a child came softened, as a three or four, maybe 10-part echo. The quiet invocations of the devout were amplified and then shifted into a constant sibilant stream.

On a quieter day I could have whispered to someone positioned diametrically opposite me 30 yards across the room – whispering galleries best reflect sounds of higher wavelengths – hnt with so many people there was no definition.

I was simply washed over with a mesmeric stream of noise. It had an unworldly, liquid qnality. There can be few more powerful man-made ways to witness the divine.

To get to hell, runs the heart-felt adage of the American business traveller, change aeroplanes at Atlanta. Your bags will have gone on to Miami.

The Georgia capital's airport is both vast and crowded, and likely to get more so in the frenetic run-up to the 1996 Olympic Games. Atlanta, a city notoriously more interested in its future than its past, beat Athens for the right to hold the centenary edition of the modern Olympiad.

The first games of the modern era were held in Athens in mid-summer 1896 at the instigation of a boosterish French aristocrat, Baron Pierre de Coubertin. He would have fitted into modern Atlanta like a hand into a glove.

In Barcelona before the 1992 games, the whole romantic notion of the Olympics held the city in anticipatory thrall for close to a decade. Here in the New South it is seen as a workaday logistical and financial challenge to a "can-do" attitude that has made the city one of the most dynamic and affluent of the modern US.

While New York's subway declines into a modern demonology of violence and squalor, the Metropolitan Atlanta Rapid Transit Authority has an "Art in the Stations" programme. In Peachtree St station, 120ft below the city's central business district, the granite walls of the tunnels have been left stark and bare for visual effect. It is a Grand Canyon with trains.

The panoramic view from Billy Payne's 12th floor office shows a jumbled, unlovely city that works for a living. There is not much green space around the centre but one of Payne's many sources of pride is that the Atlanta Committee for Organising the Games, of which he is founder, chairman and chief executive, will demolish streets of tyre depots, scrap dealers and junk shops, to provide a 30-acre park in the heart of the city.

Other demolition plans reveal Atlanta's gung-ho spirit. The 50,000 seat Fulton County stadium that is home to the Atlanta Braves baseball team is to be demolished to provide parking for the new 85,000-seater Olympic stadium that is taking shape across the street.

Payne is an Atlanta native. He conjured this whole wild Olympic dream in the offices of his law firm eight years ago and never looks back.

Why do the Games have to cost mega-bucks ($1.6bn) in a city with so much sporting infrastructure already in place, I wonder?

"Well every one of you guys, accredited journalists, with a seat in the broadcast or media centres costs us $20,000 in overheads and there's going to be 10,000 press here," fires back Payne with a grin so wide it is impossible to take offence. "We are raising enormous amounts of money here but we are going to reach the target. It's always too slow for me but I'm a foolish optimist. I expected the cash to come in the mail during the first week."

In fact, the Atlanta Games will represent an enormous transfer of wealth and assets from the private sector to the public, an unusual equation for a major international sports event. Payne and his team promised that not a cent of tax-payers' money would be

Olympic vision: a model of the main Games site in Atlanta – the planned main stadium with the old Fulton County stadium, home of the Atlanta Braves baseball team, in the background

Olympics

The pragmatic games

Keith Wheatley goes to Atlanta to see how the city is preparing for the 1996 summer games

imposted for the Games – for example, items such as Stone Mountain tennis centre and a new swimming pool for Georgia Tech will be handed over gratis after the closing ceremony.

In the battered Yellow cab that brought me in from the airport, taxi-driver Asfaw Yamane griped that the Games have brought inflation to a city that had become a hyword of success for the small-time ethnic entrepreneur.

"Rents going up man. Food going up. And now the two big taxi firms want to be the official Games cabs and cut us out," he grumbled. He is a Somali, part of a community of 20,000 Atlanta. Yamane is hard to understand and becomes hopelessly lost trying to find the offices in one of the biggest downtown streets. We repeatedly glimpse the Williams St headquarters through the one-way system.

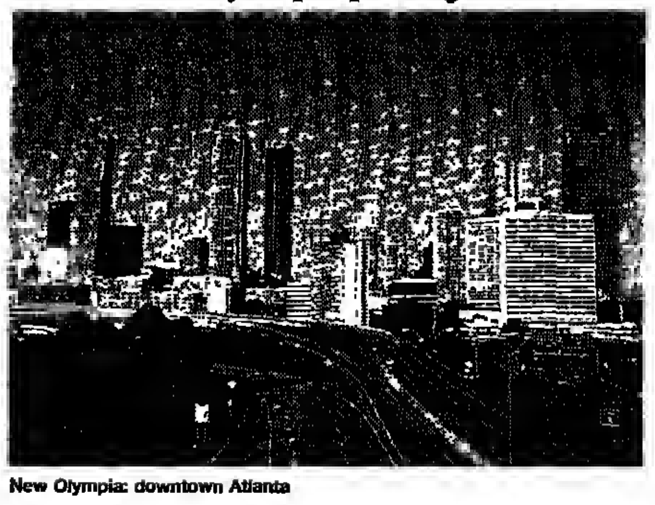
As I become exasperated, Yamane makes it increasingly clear that he cares little for the Olympics. On the way in from the airport he had happily spouted the correct Atlanta PR-line. So could the Games themselves become a symbolic battle-ground between have and have-not America?

Already there have been ill-tempered political skirmishes over such issues as the use of the State of Georgia flag above Olympic venues. Since it contains the old Confederate flag, the "Stars & Bars", some black groups have condemned it as racist. The local council in Clayton County, a redneck edge-of-the-city shire where beach volleyball is to be centred, passed a pro-family life resolution which incensed gay athletes throughout the US. There was angry talk of litigation designed to slow down or even stop the Games.

"A lot of non-financial greed surfaces when you win the Games. A lot of groups have their own agendas," said Payne. "But this is not a social engineering project with the capacity to fix the ills of this city. Our job is to put on the Olympic Games; no more, no less."

Aside from local politics, there are implacable deadlines to be met. The Olympic flame arrives on July 19 next year, ready or not. All around the city, bulldozers and cranes are making it happen.

"People can't believe the main stadium will be finished on time," said my volunteer guide, semi-retired stockbroker



New Olympia: downtown Atlanta

Tom Payne, amid the tangle of steel and concrete shooting up just a mile from downtown Atlanta. "It will. because there's no unions and no Mafia. This is Atlanta."

Twenty miles out of town is the Stone Mountain state park. Bulldozers are just beginning to scrape out of the pine forest a tennis complex to rival Melbourne's, and show up the traditional US Open venue in New York, Flushing Meadow, as the slum it is. But who will use the dozens of courts once Steffi and Jim have moved on?

"Atlanta is full of yuppies and tennis is their thing. There will be queues here," believes Payne, using a joke to make his point. "How do you tell the Dunwoody [a posh Atlanta suburb] mourner at a funeral? She's the one in the black tennis dress."

Nearby, the shooting complex is under construction. I query the considerable size of the grandstands. At most Olympics the volume of spectators for shooting events could be accommodated in a double-decker bus.

"I guess we're a violent people. Guns are pretty popular here," drawled Payne.

Certainly the task of hosting the Games fails to overawe many of the people involved. Six sports, such as fencing and weightlifting, will be based at the Georgia World Trade Congress, an exhibition centre with close to 1m sq ft of floor space. You could park a dozen Boeing 747s in there and have space left over. My visit coincided with Poultry Expo '95, the world's largest exhibition of its type.

"The chicken pluckers," sneered the cab-driver (Ethiopian this time), explaining how 30,000 fowl delegates had swamped every Atlanta hotel and nearly left me roomless. One end of the Expo began with farm battery units, ending 1,000 yards down the hall with car-sized friers for America's fast food outlets.

Next door to the World Trade Congress is the Georgia Dome a covered arena with 72,000 seats and home of the Atlanta Falcons football team.

"Many of our trade shows are bigger than the Olympics. It'll be a walk in the park," said GWTC executive Kellie Cannon as she showed me around.

Rugby Union / **Derek Wyatt**

The cup of intrigue

The rugby union world is in turmoil. Next week the International Board will decide where to hold the fourth world cup. Behind the scenes there is frantic activity.

It all began 11 years ago when the committee of the International Rugby Football Board (IRB) agreed to the requests from Australian and New Zealand delegates to establish a working party to look at a first world cup. In Paris, the following March, the IRB voted for a first world cup and gave Australia and New Zealand, the joint task of organising it for 1987. The IRB also said that the second world cup must be held in the northern hemisphere in 1991 and the third in the southern in 1995.

Thereafter? Thereafter, there were no recommendations.

The first rugby world cup was a minor miracle. After it was finished both the Australian and the New Zealand governing bodies said in their recommendations (and I paraphrase): "Never, never, never allow a world cup to be organised by two combative rugby unions in two different countries. It must be held in one country."

Even so, the 1991 rugby world cup was held in five countries, with four different legal systems, three different currencies and two languages. It was a PR dream – the final was played at Twickenham between the hosts, England, from the northern hemisphere, and Australia from the southern hemisphere – but a nightmare in every other respect.

The IRB realised that tournament must be held in one country. So for the third world cup, it chose South Africa before anyone knew whether there would be a peaceful transition from apartheid.

South Africa had not even participated in either the 1987 or 1991 world cups. It does not have the infrastructure to support an event that could draw the third largest television worldwide audience for a sporting occasion, after the 1992 Barcelona Olympics and the 1994 soccer World Cup. And yet it seems likely that the competition will be a success.

So, we come to decisions that will occupy the IRB on Sunday and Monday of next week when they pick the hosts for the 1999 world cup.

There are two bids. One is from Wales. Some games would be played in England, and Ireland and Scotland are lobbying for potentially lucrative world cup games in Dublin and Edinburgh. The other is from a consortium led by Australia and involving New Zealand and Japan.

A few years ago, I asked Dudley Wood, the Secretary of the RFU, whether the IRB had considered Japan for the 1995 bid. This was before the launch of the soccer J-League, when rugby was second only to baseball in Japan. Japan was the country that would raise most money for the game worldwide – which is now the perceived role of the championships – and have the most beneficial impact, removing the cup from the power of the old Anglo-Saxon bloc.

"No we hadn't," he said. Even in 1992 the IRB still felt that rugby union was a white man's sport.

The Welsh bid for 1999 has problems. Not least because Vernon Pugh, chairman of the Welsh Rugby Union, is also chairman of the IRB. He is caught between serving the global game and the needs of his own union.

The IRB desperately needs a permanent president, on the model of the International Olympic Committee, and a professional and impartial chief executive. The current talk is that the IRB will move its office from Bristol to Dublin.

The vote for 1999 will be close. A simple majority of the 20 votes will decide. England, Wales, Ireland, Scotland, France, South Africa, New Zealand and Australia, each have two votes. Italy, Canada, Japan and Argentina have one apiece.

The favourites are the Pacific Rim countries. They have their own five votes; this in itself represents a change in rugby union's peculiar politics since Japan has always aligned itself with Europe.

Australia sensibly organised a tour of Italy for 1996. Italy's vote is crucial – so important that Vernon Pugh (as WRU chairman) dispatched Edward Jones, the WRU Secretary, to Rome last week.

Australia recognised the Federation Internationale de Rugby Amateur, which is based in Paris. The French love gestures and, in any case, their own bid had apparently arrived too late.

The other two southern hemisphere countries – South Africa, which has been wholesomely supported by Australia and New Zealand for its Super-Tens competition, and Argentina – should vote for the Pacific Rim proposal. This leaves Wales with nine votes: eight from the four home unions and one from Canada.

If the Pacific bid wins, the 1999 world cup will be in three countries, with three legal systems, three currencies, three time zones and two languages.

The host countries keep 50 per cent of gate receipts. So the the home unions stand to lose £50m, money which could be used to develop rugby union at all levels in the British Isles. Moreover, ITV has bid £12m for the 1999 rugby world cup in Wales, it is unlikely that a Pacific Rim world cup could attract such a bid.

If the Pacific bid wins, England, having backed Wales and lost, will have to weigh the benefits of remaining in the cosy cartel of the four home unions, against the desire to join the elite of New Zealand, Australia and South Africa.

Scotch eggs

Auguste Escoffier, founder of modern cooking, recorded in *The Complete Guide to the Art of Modern Cookery*, that there were 256 ways to cook an egg. Most of them were deposited on my face after I predicted that Scotland did not have a hope of winning in France.

The Scottish win against France was fully deserved. The critical last try of the last movement of the game involved two contrasting players, Gregor Townsend and Gavin Hastings.

Townsend has spent his short rugby career playing in Scotland for Gala (though he joins the southern exodus next season as he has signed for Northampton) and in Australia for Warringah. For Scotland he has played at both inside centre and fly half. For Warringah, he played at fly half – his best position – and tima and again gave game-saving displays.

It is interesting that his best rugby has been played down under. Rob Andrew spent a season in Sydney, with Alan Jones, the then guru of world rugby coaching, and returned a better player.

Townsend has not yet been able to bring his cavalier approach to a conservative Scottish side more used to defending than attacking.

Hastings' try under the post against the French was a wonderful way to silence his critics. It meant that Scotland can still win the grand slam and are the only team who can stop England doing so.

Conversely, the Welsh, last season's champions, have played two and lost two. Though the Scottish have had to make changes due to injury, they could snare the Welsh.

It is difficult to know how the Welsh can hope to reach the last eight of the rugby world cup in June when they refuse to countenance a game beyond their half back. Their game plan has failed to include directions to the try line. Against England they managed only two attacking moves both of which could have led to scores – both failed because of the pressure the England defence applies these days.

Scotland, revitalised after a miserable two years, need to win by a large margin so that they go to Twickenham in a fortnight's time to snatch the grand slam.

Derek Wyatt

Motoring

Perfect luxury

Stuart Marshall is captivated by the silent new Lexus

Most Britons think of mainstream Japanese cars as small to medium sized, moderately priced hatchbacks or saloons.

There are, of course, exceptions. Japanese recreational four-wheel drives and sporting coupés are plentiful and popular. A few very high-performance models compete in the supercar niche market.

But posh executive models for user-choosers with £20,000-plus budgets, or luxury saloons for the holders of company purse strings? The public perception is that the Japanese have nothing to offer. The reality is different.

A number of 2.5-litre to 3-litre multi-cylinder Japanese cars have been around for some time. The Honda Legend, Lexus GS300, Mazda Xedos 9, Mitsubishi Sigma and Toyota Camry are for executives who rate cars in the £23,000 to £33,000 bracket. The £43,293 Lexus LS400 provides board-level luxury.

In the US, Lexus, made by Toyota, and to a lesser extent Infiniti, Nissan's upper-class marque, have severely dented sales of upmarket European cars such as BMW, Jaguar and Mercedes-Benz. But not in the UK – or at least, not yet.

The original Lexus LS400, looking as if its father might have been a Mercedes-Benz S-Class and its mother a 7-Series BMW, came on to the market five years ago. Unusually quiet even by luxury car standards, it was built to match the quality of the best of its rivals. Its reliability was unequalled. Its ability to retain its value brought smiles to fleet managers' faces. Toyota's first stab at a European-type luxury saloon was a triumph.

The 1995 Lexus LS400 is even better. Weight and aerodynamic drag have been reduced and a little more interior space created. The front seats are more comfortable and those sitting on them feel more secure on fast corners.

Output of the turbine-smooth V8 has gone up from 241 to 260 horsepower. When idling, one has to check the rev counter to make sure the engine is still running.

Bearing in mind that the Lexus was already the quietest luxury car available, reducing the noise levels further was quite a a feat. Cruising at 81mpb / 130kpb and less than 3,000rpm, the only audible sounds made are a whisper of wind noise and a distant murmur from the tyres.

The boot is wide but none too deep from front to back, though this is a reflection of the generous rear-seat legroom.

Nothing is perfect, but few cars get nearer to it than the Lexus LS400.

When I sampled Nissan's QX two-litre manual and 2.5-litre automatic in Portugal last month, they proved very comfortable on the kind of country roads that hardly exist any more in western Europe. The smaller engine was even sweeter than the 2.5-litre. Combined with automatic transmission, it would be a good car for a brand-loyal though aspirational Nissan Primera user.

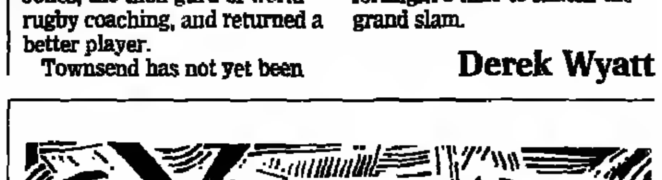
The QX goes on sale in Britain later this month. Prices will range from £17,000 to £23,000.

■ A new kind of car tyre now available is claimed to reduce fuel consumption by up to 5 per cent and lessen road noise without sacrificing grip or tread life.

Michelin's Green X Energy range is first being offered for cars with maximum speeds of up to 130mph / 210kph. The "T" speed category Energy MXT80 and MXT are for family and fleet models with a 118mph / 190kph maximum speed; the "H" speed category Energy MXV3A is for faster executive and sports cars capable of 130mph / 210kph.

Michelin says the tyres save fuel because it has lowered their rolling resistance without harming grip or abrasion resistance. The company will not say exactly how this has been achieved, but it involves weight reduction and exploiting advanced rubber technology.

New Lexus LS400. Sepulchral, totally refined but rather anonymous



Delusions of monetary grandeur

Geoffrey Owen reviews an insider's guide to Britain's post-war economic policy

Who should be blamed for the poor performance of the British economy since the second world war? The list of culprits includes incompetent managers, bloody-minded trade union leaders and the "gentlemanly capitalists" of the City of London, with their contempt for the sordid activities that take place somewhere north of Watford. Another possible target, which forms the main thema of Eric Roll's brief but judicions review of British economic history since 1925, is government: did politicians impose on the British economy burdens which more enlightened countries managed to avoid? The answer which emerges from this book is that errors in economic policy were unhelpful but probably not decisive.

The most serious and persistent weakness, in Roll's view, was the failure of policy-makers to recognise what Adam Smith described as "the real mediocrity" of the country's circumstances. Successive administrations – and Roll distribntes the blame eqnally between Labour and the Conservatives – tried to do too much, failing to make realistic choices between their international aspirations and the demands of the domestic economy. "Prestige", he writes, "played too important a part when the balance of claims had to be struck."

In dealing with the problem of sterling balances after tha war, for example, the government's attitude involved "an anachronistic grand-seigneurial pose, a hankering after an unsustainable powerful international position for sterling." The Churchill government, he thinks, was almost certainly wrong in the early 1950s to reject the so-called Robot scheme, which would havc made sterling convertibla at a floating exchange rate. Thc political repercussions of the plan in the Commonwealth and the US would have been substantial, but Robot had "a boldness which was singularly lacking" in other policy areas. In particular, Britain's reluctance to accept a more modest rola in the world contributed to tha "nncertainties and vacillations" which characterised the reaction – in the 1950s and later – to European integration.

WHERE DID WE GO WRONG? FROM THE GOLD STANDARD TO EUROPE
by Eric Roll
Faber and Faber £12.99, 143 pages

As professional economist, senior civil servant and banker, Lord Roll has been close to the centre of power for a long time and be has provided an illuminating insider's guide to post-war economic policy. In the end, though, like most others who have written books with a similar tide, he fails to provide a satisfactory answer to his own question. At the heart of Britain's problems, he suggests in his conclusion, lies "a very imperfect adaptability to changes in circumstances of the magnitude that have occurred" during the period covered by the book. But what are the sources of this inflcxibility and could governments have done more to remove them?

Roll sbows a remarkable lack of sympathy for the one post-war government – tbat of Margaret Thatcher – wbicb cannot be accused of lack of boldness. He criticises its "extreme fervour and ideological zeal" in relying on the monetary weapon as tha sole means of achieving non-inflationary growth and its "stubborn neglect of other policies"; the explicit rejection of consensus as e condition for economic reform was "equally unhelpful".

Yet it is at least arguable that the rigidities of which Roll rightly complains stemmed from too much consensus in the earlier post-war years and a refusal to challenge conventional wisdom. Britain needed to be jolted out of its post-war inertia. A Thatcher-type shock, administered in the 1950s, might have spared the country some of tha pain it went through 30 years later, *but at that stage neither the* politicians nor their advisers had the stomach for anything so disruptive.

Brave lament for the human condition

In our irreligious age, this is a work of rare power and extraordinary insight, writes **Peter Aspden**

I*t is difficult to know quite* where to start with this remarkable little book. It is at the same time a lamentation and a celebration, movingly lyrical and spikily sarcastic, vulnerable and assertive.

It deals with the most profound symptoms of the human condition with a subjective intensity that is almost unbearable, but it is near-impossible to put down. It should be read all at once, for its changes of tone and pace are part of the author's argument for the need to confront, rather than evade, the formidable fluctuations of everyday life. "Keep your mind in hell, and despair not".

Gillian Rose is a professor of sociology at Warwick University, and has written some of the most stimulating, challenging and occasionally impenetrable works of philosophy, theology and political and social theory in contemporary British academic life. The first part of *Love's Work* is a rambling collection of autobiographical anecdotes based on her "three cities of death", New York, Auschwitz and Jerusalem.

Portraits of childhood, adult friendships, love affairs are drawn with an unsettling combination of candour and abstraction: "We knew we wanted each other in the way those who become lovers do – with simultaneously a supernatural conviction of unexpressed mutual *desire and a mortal unsureness* concerning declaration and consummation."

A love affair breaks down; the pain is immense. But just as the author's poetic flights threaten to crash into spurious over-statement – "Let me then be destroyed. For that is the only way I may have a chance of surviving" – she abruptly shifts mood by revealing, half-way into the book, that, in her forties, she has advanced ovarian cancer which has failed to respond to chemotherapies and has spread to other parts of the body. Suddenly the metaphors of suffering and destruction take on a new, more urgent meaning: suddenly love's work becomes inextricably bound with life's end and death's impending embrace.

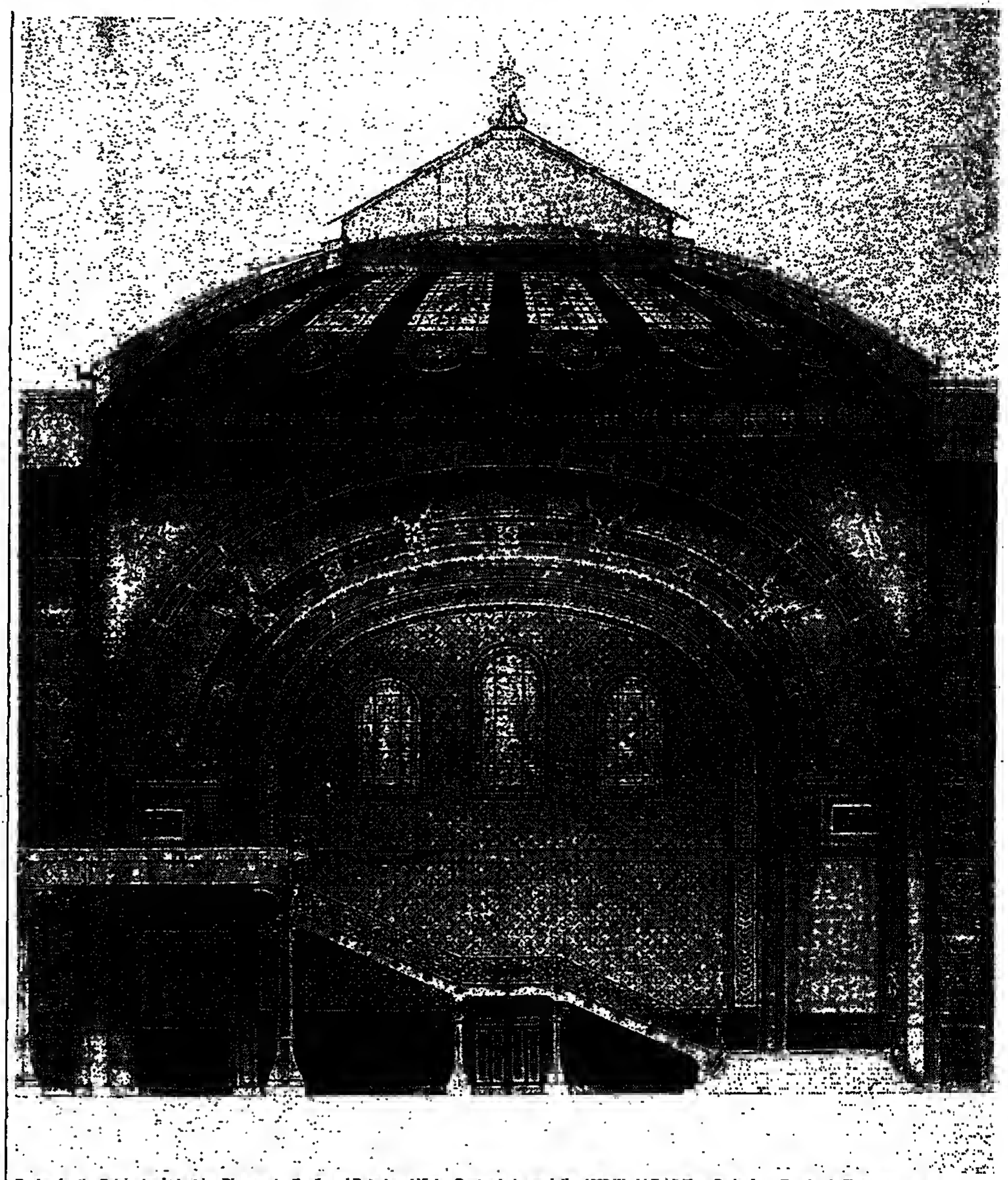
LOVE'S WORK
by Gillian Rose
Chatto & Windus £9.99, 136 pages

But Rose remains one step ahead. Lest we lose ourselves in the fresh round of abstractions, she goes on to chronicle in insufferable detail what it is to bear a serious illness attempting, *en passant* and not without humour, a first-ever ethnographic account of living with a colostomy. Amid the bitter sideswipes – "surgeons are not qualified for the one thing with which they deal: life" – are some extraordinarily lucid insights: on turning to alternative medicine, she observes: "If I have understood the *limitations of my speaking* in the esoteric but fatal language of clinical control, it is far more difficult to articulate the deadly blandishments of the exoteric language of cosmic love."

It comes as a relief when these harrowing accounts give way to more anecdotes, more portraits (in which death continues to hover noticeably near) and even some "straight" philosophy.

Drawing on the mythical account of Camelot and King Arthur's need to turn against his wife and his best friend, she extrapolates a lesson for those who modishly attack the iron rule of reason: "Post-modern philosophers say that philosophy is founded on the totalitarian ideal of Camelot, whereas philosophy is born out of the sadness of the King, to whom it offers the consolation of reflection."

I wish Gillian Rose well in her hope to "pass unnoticed, which is why I hope that I am not deprived of old age", and also hope that the doctors who have predicted "many months" of good health shall be proved unnecessarily pessimistic. Whatever fate awaits her, she has written a book of rare power. Wa have, in our irreligious age, too readily succumbed to the graceless language of those who have over-reached themselves; of those who blandly describe the "control" of diseases which have already lurched out of their grasp; of those who dispense "miracle" drugs and boast of "life-support" machines because they cannot bear to talk of death. *Love, perhaps, can take us* further; or maybe it simply has too much work to do.



Design for the Palais des Industries Diverses by Ferdinand Dutert and Victor Contamin to mark the 1889 World Exhibition, Paris: from Taschen's illustrated survey of architectural competitions from 1792 until 1992 (£48.99 for two volumes, 340 and 400 pages), edited by Cees de Jong and Erik Mattie.

Gay and responsive

Iain Finlayson looks at a growing sector of publishing

An optimistic, perhaps opportunistic publisher recently asked a novelist friend of mine to suggest a list of neglected classics of gay fiction, with a view to republishing them for the gay book-buying public. My friend was obliged to tell the publisher that no such back-list of classic gay writing existed, at least not in the form ha expected, because "gay", in terms of what we now recognise as a cultural community, is such a recent concept.

There has alwaya been homophile, homoerotic and frankly homosexual writing, overt or covert according to the tenor of the times in which it was written, but what is known is already in print, published by mainstream and specialist publishers, and more or less readily available in paperback in the increasingly large and profitable gay sections of bookstores.

What is new is the regular outpouring of generally high-quality gay fiction that is finely attuned and subtly responsive to gay life as it has evolved since the late 1960s. In his introduction to *The Penguin Book of Gay Short Stories*, David Leavitt (himself a snccessful gay writer of fiction) lists a short bibliography of seminal gay novels (*The Lord Won't Mind, Dancer from the Dance, The Family of Max Desir, The Front Runner* and others) which, he complains, idealised gay experience, in which only the beautiful were allowed to make beautiful love in a closed (closeted?) world of their own desires. Well, yes: what else is true romance all about?

This was not the world – fictional or real – Leavitt wanted when he began writing fiction, but "I saw no advertised alternatives." Of course, there were, and the first half of *Leavitt's anthology rounds up the* usual suspects (as indeed they might have been judged in pre-Wolfenden days): D.H. Lawrence (an idyll), E.M. Forster (a fantasy), J.R. Ackerley (growing up gay), Christopher Isherwood (trouble with Sally Bowles in Berlin), Noël Coward (a theatrical tour of Europe), Graham Greene (*May We Borrow Your Husband?* – that old chestnut); a somewhat surprising, delicate contribution from Sherwood Anderson; a less surprising extract – now we have read the letters – from John Cheever's *Falconer*; a minor piece from Donald Windham, and a deliciously understated extract from *A Glass of Blessings* by Barbara Pym.

THE PENGUIN BOOK OF GAY SHORT STORIES
edited by David Leavitt and Mark Mitchell
Penguin £7.99, 855 pages

MEN ON MEN 5
edited by David Bergman
Plume
Penguin £7.99, 347 pages

Thase historical stories and extracts from novels preface a collection of modern gay writing, some of it distinguished and perceptive, by Paul Bailey, David Plante and Christopher Coe; and the tight AIDS story, *The Times As It Knows Us* – reading like an ensemble piece that might have been a play observing the classical conventions – by Allen Barnett.

Leavitt's anthology, first published in 1994 and now reprinted, reflects the diversity that "gay" *now encompasses.*

Men on Men 5 is the fifth volume in a continuing series of new gay writing by mostly young American gay men. It is nothing new to say that the AIDS crisis has altered the perception of gay life and love in the past 15 years, and gay fiction nowadays is really rather respectable, safe (in every sense) and somewhat sentimental.

We require comfort, of course – and we get it, sometimes, through rage, but also by taking responsibility through positive action. *Men on Men* is responsible and positive. The stories are touching, tinged with sorrow and plangent with tragedy. They are all memorable for a moment; their wistfulness, ruefulness, and wry and witty irony amounts to understatement.

What I miss, personally, is the prick of pessimism, the bile of bitterness. Modern gay fiction (perhaps with the exception of Christopher Coe's *Such Times*) is more *amabile* than *amare*. There is no Dennis Cooper in this collection, and Larry Kramer – who is capable of bitterness – here presents a charming story of old age. And this story, oddly, gives me some hope for the development of gay fiction: the writers who have chronicled the culture of "gay" since the 1970s and survived the age of AIDS, are now growing into middle age and beyond: Edmund White, when not looking back to write historical fic*tion and to complete his trilogy of* gay life, is beginning to treat life beyond gay disco, and others will – I hope – follow.

I look forward to reading stories by the gay equivalents of William Trevor and V.S. Pritchett.

A tour of science's wild frontier

Nanotechnology is, uncontroversially, technology that operates at the very amallest scale. It gets controversial as soon as you try to determine what that scale is. *NANO!* is about the most extreme definition of nanotecbnology: the manipulation of individual molecules. True, nanotechnology in this form does not yet exist, bnt Ed Regis believes that it will arrive, sooner or later.

The consequences may include unlimited material abundance, an end to starvation and disease and the indefinite prolongation of life; on the down side, if things got out of hand "assemblers", tiny self-replicating machines, might flood the *world and destroy the entire bio*sphere. On the whole, it is as well to be prepared.

The principal advocate of nanotechnology is K. Eric Drexler, an MIT-trained scientist variously regarded as a visionary and a crank. He was not the first person to think of nanotechnology. Nobel laureate Richard P. Feynman beat him to it by a good 20 years, but Drexler has come up with by far the most detailed description of how it might work.

He envisages armies of assemblers, which by putting together molecules in precise formations could build anything that is physically possible, with no polluting by-products. Doctors would have complete control of human biology: assemblers let loose in the blood-stream could repair damaged cells, destroy cancerous ones, aven restructure an individual's DNA. If it all worked, life would become one long party.

Regis is a wonderfully lucid explainer of difficult concepts, but displays an annoying jocularity and an emphasis on personalities that seems misplaced. More seriously, in putting across the flow of the argument Regis ends up sliding round a lot of the obstaclas tbat stand between us and the nano-paradise.

Tbere is a comedy sketch in which a man goes to the Patents Office witb an idea for a pill which can cure all diseases, enhance your intelligence and make you fabulously attractive. "Can I see one?" asks the patents man. "Ah," says the inventor, "I haven't actually made one yet, but it seemed such a good idea that I wanted to stake my claim before anybody else thought of it." Much of *NANO!* reads like *this*.

NANO!
by Ed Regis
Bantam Press £16.99, 307 pages

True, Regis points to a number of recent scientific breakthroughs. But the gulf between the halting, approximate technology so far achieved and the super-sophisticated mecbanisms foreseen by Drexler is buge: it is as if the man with the miracle pill pointed to the aspirin as proof that his idea was sound.

Drexler's basic argument is that everything he proposes has its equivalents in nature – you could regard human beings as super-sophisticated machines built by self-replicating assemblers. If nature can do it willy-nilly, why should we not be able to do it by design?

But to show that something is possible in principle, even that it is technically feasible, is still a long way from showing that the technology is practical on a large scale. Nuclear power used to be seen as a potential source of limitless cheap energy; the theory was fine, but the technology has turned out to be anything but cheap.

Still, *NANO!* is an entertaining tour of science's wild frontier. And who knows, Drexler might be right.

Robert Hanks

In love with the Dreadnought admiral

If you are looking for a biography of our greatest naval officer of the century, Admiral "Jacky" Fisher you may decide to steer clear of Jan Morris's new book, *Fisher's Face*. It is not, really, a biography, although it is great fun and is probably more successful than a shelf of conventional studies in bringing to life Britain's second most famous sailor after Nelson.

Morris has been fascinated by Lord Fisher for 40 years and nominates him as "one of my life's companions"; she describes this volume as a "caprice" but it reads more like a love letter – no, a *swoon*.

It is hardly surprising, then, that the detail is pretty thin, particularly for the early career of the boy from Ceylon, "an orphan of Empire", who joined the Royal Navy in 1854 as a 13-year-old midshipman without benefit of a naval background, and was twice to be First Sea Lord.

"If you are a woman," writes Morris in a typical passage, "you are likely to be charmed off your feet ..." She is discussing, as she frequently does, Lord Fisher'a undeniably distinctivc face, which is strikingly un-Victorian. He was maliciously rumoured to have Asian blood in his vains and, although a great friend of Edward VII, Winston Churchill and Lloyd George, he was always the outsider, the radical, the dangerous type whom Establishments are wise to co-opt.

He had not just charm but charisma, ferocious energy, a sense of humour, a scheming and often ruthless intelligence. He was a fanatical dancer, he was religious and loved sermons, he was a great flirt, happily married for 52 years but in old age besotted with the Duchess of Hamilton (a Nelsonian reference if ever there was one). He could come up with the wildest schemes: at the time of the Fashoda crisis, for instance, he made a plan to abduct Captain *Dreyfus from Devil's* Island, and in the world war ha suggested shooting German prisoners in retaliation for the Zeppelin raids. Churchill said that to be with Jacky was like breathing ozone.

FISHER'S FACE
by Jan Morris
Viking £16, 245 pages

All of which is to leave aside Fisher's axtraordinary importance in tha total transformation of the Royal Navy, so that it was turned from being a mastodon of imperial pagaantry into an invinciblc machine of European conflict. Morris is very interesting on this, in her chatty way. She shows why Fisher was a great visionary of naval warfare (curiously, he never commanded a ship in action). He withdrew Britain's warships from their worldwide imperial role; he switched the Navy to oil and turbines; he invented the battle-cruiser; he was the father of submarines, which in those days were widely thought to be unsporting; and, most famously, he created, and built at extraordinary speed, the Dreadnought battleships.

With the coming of war in 1914 – when, in a sense, his task was complete – Jacky at 73 was recalled by Churchill to be First Sea Lord and the story turns sour. Against his better judgment, he supported the Dardanelles invasion; in May 1915 he attempted for the umpteenth time to resign. In one sense, he ran away; he literally disappeared from his office, and George V said he should have been hanged. But he was right to foresee the nightmare of Gallipoli, and there only remained the disappointment of the stalemate at the Battle of Jutland.

The constant intrusion of Morris's own, no doubt dramatic life into the narrative will probably drive some readers back to the weightier biographies by people like Richard Hough and Richard Ollard. But there are frequent bonuses: for example, Hough and Ollard do not allow themselves to say of Fisher's mother that "in photographs she looks terrible", and they certainly do not wear their passionate hearts so unashamedly on their sleeves.

J.D.F. Jones

BOOKS

Bond dealers face moral bankruptcy

Tim Dickson enjoys a not-so-implausible tale of irresponsible greed in modern financial markets

If someone had written a business novel in which a 28-year-old Singapore-based trader bets the assets of London's oldest investment bank – and loses – it would surely have lacked all credibility. Until a week ago, that is.

Something of the same implausibility pervades the story of *Bombardiers*, in which a high flying firm of West Coast bond salesmen goes from one daring deal to the next, ultimately and absurdly attempting what amounts to a corporate takeover of the Dominican Republic.

Whether Wall Street and the CIA could ever be in cahoots on such an ootrageous "rescue" mission, though, is hardly the point. Po Bronson's book is intended as a wry, entertaining and wbolly one-sided commentary on the greed, cynicism, naivety and sheer irresponsibility of those who work in modern financial markets, and as such it is fun.

Comparisons will no doubt be drawn with *Bonfire of the Vanities*, but Tom Wolfe's book was about the moral destruction of an individual – one whose valoes had been distorted by his white, privileged middle-class world and who believed that Masters of the Universe could escape the conseqoences of their own actions. In *Bombardiers* the focus is on the firm – and the system which spawns it – as the source of moral bankruptcy.

Such a thesis, of course, will be rejected by many as hysterical. Yet though Bronson clearly has one or two ideological reservations about what he calls a "filthy profession" in his very first line, the oversized characters around which the story develops are no doubt the product of vivid first hand experience.

BOMBARDIERS
by Po Bronson
Secker & Warburg £15, 319 pages

The hero is Sidney Geeder, King of Mortgages at Atlantic Pacific, whose ability always to unload his "quota" of bonds seemingly stems from sheer loathing of the job. Sid is trapped at the firm, however, by $4m of company stock which he cannot cash in for nine months. He is joined by Mark "Eggs" Igino, the firm's rising star who also sees through the whole charade, inspires frantic office trading in breakfast futures to make a mockery of it, and consternation when ha actually demands to see a bond ("I would sleep better at night knowing I wasn't part of some big hoax. I'd like to know they really exist"). Other characters include Lisa Alisa ("She believed she was addicted to love") and the sales manager Coyote Jack whose ruthlessness makes the real-life "neutron Jack" (Welch of GE) seem like a pussycat.

All of them may be pretty wooden hot the din and smoke of battle in the trading room – the brutality of it all – seem authentic enough. In any case the point about the information economy as depicted here – "the most efficient system in the world at making the rich richer" – is that individuals do not matter.

This is indeed a bleak conclusion and one that can be dismissed by readers who approach the book as harmless satire. But there are some disturbing mirrors for those who care to look.

Shadowy portrait of Deng's world

The full story at this critical point in China's history would be fraught with risk, writes **Colina McDougall**

China is on the threshold of seismic change as the health and influence of the 90-year-old patriarch Deng Xiaoping ineluctably declines. His daughter Maomao, his constant companion and interpreter of his mumbles, hinted a few weeks ago that death was not far off. The news in mid-February of a corruption scandal fingering Deng's family friends and wafting close to his son Zhifang, suggests that the vultures are gathering.

At this critical point in China's history both books should be welcome, particularly Maomao's biography of her father. But neither provide much clue to what bappens next. Maomao's biography is an interesting and important record, but it covers the years only up to 1950. As for Schell, he is content to survey the recent past and barely considers the future.

Readers must wait a few years, Maomao says, for her second volume. This will disappoint those who hope to get some insight into recent events, but must reflect a wish to avoid trouble. Accounts of Deng's role in traumatic happenings like the 1950s anti-rightist campaign and the Tiananmen massacre would be fraught with the risk of offending a future leadership.

Maomao has written her book in a curious mixture of Chinese jargon ("mammoth peasants, revolutionary storm" for the Boxer rebellion) and People's Dailyspeak ("the communist side was lit up with the radiance of victory"). It is spiced with personal reminiscences from elderly revolutionaries (important because their children are still around).

Though translated from the Chinese, the confident style and poetic similes ("The soft October breeze touched the faces of the revolutionary fighters ... their thoughts were as thrilling as the surging river") are probably ber own. But the resulting jumble is hard to digest. The China neophyte will find it difficult to grapple with the lists of civil war campaigns and participants which form mucb of the book. It is not easy to follow Deng's setback as commander in the civil war of the 7th Corps, or of his ostracism by the allegedly "leftist" central committee in 1933, wben he was virtually imprisoned.

She skims lightly over his failed second marriage, when his wife, An Jin, left him for his main political adversary (and former colleague), Li Weihan. She may have been wise to do so, since Li Weihan's son, Li Tieying, is now an important Chinese party leader.

DENG XIAOPING MY FATHER
by Deng Maomao
Basic Books $27.50, 490 pages

MANDATE OF HEAVEN
by Orville Schell
Little Brown £18.99, 464 pages

Deng has been married three times, she tells us, first to a girl who died soon after childbirth (as did the baby), and, after An Jin, to his present wife and mother of his children, Zhuo Lin. Maomao is his third daughter and fourth child.

Deng's eldest son, Deng Pufang, was paralysed in a fall fleeing from Red Guards in the Cultural Revolution. Deng Zhifang, the youngest, is the businessman. Though Deng Xiaoping left his own parents' house at the age of 16, he gives every sign now of enjoying family life and grandchildren. A shadowy portrait of the great man does emerge. "Father is an introvert and a man of few words", Maomao says.

This is confirmed by bow little he seems to have contributed to the book; most first-hand accounts of events have come from others. From his record he is clearly a hold, practical man, not highly educated, hut marked by the broadening experience of work in France and Moscow in the early 1920s.

For all its hagiography, Maomao's book provides welcome new insights. Orville Schell's *Mandate of Henven* has few. Half the book is taken up with a detailed account of the Tiananmen protests of 1989 and their aftermath, mostly based oo long-published accounts.

When Scbell writes about the Deng-inspired cbanges of the 1990s, the book brightens slightly. He covers the main strands of 1990-94, Deng's trip to the south in 1992 and the consequent boom in business. He does a professional job, lacing this witb eyewitness accounts and quotes from free-thinking Chinese.

His interviewees include the electrician, Han Dongfeng. Han was a key figure in the 1989 protests wbo set up China's first non-government trade union. He alarmed the Chinese government far more than the students because of his potential to disrupt China's urban centres. But his importance today is minimal hecaose exiles no longer exert mucb influence.

Schell carries a short biography of Deng, noting Henry Kissinger's unforgettable comment on the Chinese leader, a "nasty little man". Anecdotal coverage of this kind may grab the attention, but it is not particularly valuable. Deng Maomao is worth reading because of her unrivalled sources and considerable research, while Schell provides little more than a racy compeodium of events.

The New Yorker Roger Ballen spent two decades photographing poor whites in the heart of rural South Africa. The controversial pictures, including this 1992 portrait of Sergeant F. de Bruin, an Orange Free State prison warden, are published in "Platteland" (Quartet, £25). An exhibition of the photographs opens at the Royal Festival Hall in April.

Writers from the Arab world are fast becoming some of the most potent and controversial voices in contemporary literature

Haunted by the spectre of exile

Joan Smith talks to a leading Lebanese novelist

Hanan Al-Shaykh's Lebanese publisher has not yet decided whether to take on her new novel, *Beirut Blues*. The problem, he admits, is politics, not literary merit. "You are living in London", he reminded her nervously. "My offices face those of Hizbollah."

There are no problems in London where Al-Shaykh's growing reputation has prompted a move from the small independent imprint Quartet, which published two earlier novels to rave reviews, to the mainstream publishing house Chatto & Windus. But Al-Shaykh, who is coming to be regarded as one of the finest Arab novelists of her generation, is no stranger to censorship.

Her books are banned in the Gulf States, largely because of their frank handling of sexual matters, and their distribution elsewhere in the Middle East is dependent on the whims of unpredictable regimes. *Beirut Blues* has been published in Egypt, part of a curious reciprocal trade in which Lebanese authors turn to Cairo if they want to write about their native country, and Egyptians use Beirut to launch novels critical of the regime at home.

BEIRUT BLUES
by Hanan Al-Shaykh
Chatto & Windus £14.99, 279 pages

Back in London, her adopted city, Al -Shaykh's first play, *Dark Afternoon Tea*, one of five short pieces in a season by women authors, is at the Hampstead Theatre until March 11. This is in addition to other novels and two collections of short stories which have yet to be translated into English – a respectable body of work for a 49-year-old author who has also had a successful career as a journalist.

Unsurprisingly, the spectre of exile haunts Hanan Al-Shaykh'a work. She was brought up in Beirut, a city of markets and elegant boulevards which, after years of civil war, is intact only in her imagination. Like many Lebanese who grew up before the war, she is ambivalent about the current rebuilding programme which has swept away familiar landmarks as well as rubble. "When I used to go to the souk I passed tha fish market," she says sadly. "Now it's a parking lot. The whole centre of the city is demolished."

She left Beirut, where she worked as a columnist on the newspaper Al-Nahar and published two novels, when the civil war broke out in 1975. "All my life changed completely," she says, the pain still audible in her voice. "All my world collapsed in Lebanon". She and her husband, an engineer and businessman, cama to London for two years, then moved to Saudi Arabia. After cosmopolitan pre-war Lebanon, the Gulf States struck Al-Shaykh as "another planet – like science-fiction".

Although she comes from a Shia family, Al-Shaykh is resolutely uninterested in religion and has always refused to cover her abundant black hair, even in Saudi Arabia. Eventually, the moment came when she was forbidden to walk to her car unless she wore a headscarf. "That night I thought, 'I'm going to leave,'" ahe says. The couple returned to London.

Hanan Al-Shaykh: sensual

Out of that experience came *Women of Sand & Myrrh*, Al-Shaykh's vivid and unsettling account of the lives of a group of women living in an unnamed Middle-Eastern country. Inevitably banned in Saudi Arabia, it contains a scene in whicb a local woman is menaced by an angry crowd because her newly-arrived Lebanese friend is not wearing a veil. "Buy the lady an *abaya* (cloak) and go to your bomes", an angry shopkeeper, berself veiled in black from head to toe, screams. "May Heaven's door be barred to her."

Although her recent novels focus on the contentious issue of the status of women in the Middle East, Al-Sbaykh is uncomfortable with labels like *feminist*. "Every woman is a feminist", she insists, a touch evasively. "In the west, they always want somebody to be a spokeswoman, lumping everything together. It's like a big dress to say i'm a feminist – you have to really fill it. You have to fill the shoulders and the waist and the length. I don't feel I can."

It was this fear of being pigeon-holed that persuaded her, at the age of 19, to write her first oovel – *Suicide of a Dead Man*, as yet unpublished in Britain – in the voice of a middle-aged man. But events in the Middle East have drawn her increasingly to use ber fiction to investigate how women get by in theocratic states, the compromises they have to make and the little spark of rehellion that keeps them going. "Tbe situation of women makes me write in such a way", she admits. "I feel I've anger in me and I show it."

Al-Shaykh's family background is unusual. Her father's first wife died young, leaving three small sons, and be married his sister-in-law. Hanan's mother, who was only 15. "My mother is illiterate", Al-Shaykh explains; "her wbole education was from Egyptian films. That's why she had wonderful taste. She was imitating actresses all the time." It may have been this exposure to another more romantic world that prompted Hanan's mother to elope with her lover wben sbe was in her early 20s, precipitating a divorce and a huge scandal.

Al-Shaykh did not see ber mother again for two years and sbe constantly rebelled against her father, a deeply religious man. "I felt very restricted", sbe says, although she somehow summooed the courage to disobey his order never to go out witbout a headscarf. "I remember telling him, I don't think God really wants us to hide our hair. I even liberated my sister, wbo was older the me."

There is a faint echo of this old argument in *Beirut Blues* when the narrator Asmahan (named after the glamorous popular singer) listens sceptically to the arguments of the Modern Sbeikh, a persuasive representative of Hizhollah who wears jeans and perfumes his beard. Asmahan does not have much sympathy for the warring factions whicb bave torn the city apart, blaming them equally for the sbelling, power cuts and food shortages which have reduced life to subsistence level.

Later in the novel the Modern Sheikh's star wanes and Asmahan hears he has been arrested. By then she is grappling with a more immediate dilemma, whether to stay in shattered Beirut or go into exile in Paris with her lover, Jawad. Like Al-Shaykh's earlier novels, *Beirut Blues* is frankly erotic, documenting Asmahan's sexual feelings as fully as ber despair over the destructioo of her city.

Al-Shaykh appears genuinely mystified by her reputatioo as a daring, sensual novelist, although this turns out to be another reason for her Lebanese publisher's hesitation over *Beirut Blues*. "You know I stand by you", be told her, fearing another han. "But I want to make money as well. Do you have sex in this one like in the others?"

Recalling the conversation in her Mayfair flat, Al-Shaykh is obviously still shaken. "Sex is natural", she protests, unable to understand the fuss. Sbe has probably underestimated the impact of her frankness not just in the conservative Arab world but in the west, where few writers share her ability to express the sensual aspect of women's lives in high quality literary fiction.

Poignant fables of human weakness

This charming bnt deceptively profonnd book of fables, loosely based on the classic tales of the Arabian Nights, represented something of a departure for Naguib Mahfouz when it was first published in Arabic in the late 1970s. After the thrilling realism and Galsworthy-like attention to narrative detail which had characterised his previous work, *Arabian Nights and Days* came like a liberating flight of fancy from this most intelligent of contemporary novelists.

Yet the themes of the book, translated with great feeling by Denys Johnson-Davies for this first Englisb publication, are oot so very different from those explored in his kaleidoscopic masterpiece, *The Cairo Trilogy*.

We are in a medieval Islamic city, ruled by a corrupt body of governors and chiefs of police, observed by malevolent demons and listless genies who occasionally decide to act in the affairs of bumans, with terrible results. In this fantastical universe which blurs the lines of dream and reality, the path to truth and the morality of decision-making become impossible to determine.

All the city's citizens take turns to join the various debates of the day at the focal Café of the Emirs; all of them are touched in some way by the bizarre magic which breaks out at periodic intervals. Rulers are puzzled, boly men speak in riddles, religioos sects are persecoted and earnest young men who want to do good manage inadvertently to destroy themselves and their families.

The most poignant tale concerns Fadil Sanaan, a virtuous, honest man, and his encounter with a stranger who grants him a "cap of invisibility", whicb he may wear to make himself invisible to the world – provided he does not commit any evil, nor follow the dictates of his conscience. Caught in this moral vacuum, Fadil performs minor, stupid pranks which turn ont to have disastrous consequences.

ARABIAN NIGHTS AND DAYS
by Naguib Mahfouz
Doubleday £15.99 228 pages

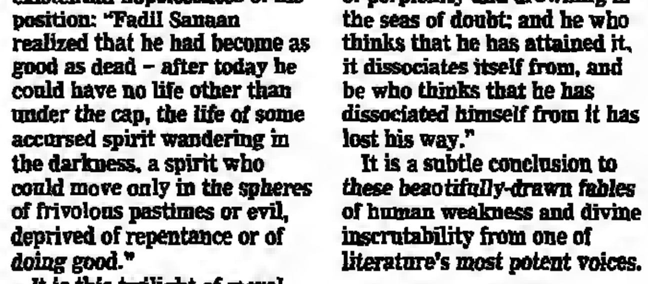
Soon, he realises the existential hopelessness of his position: "Fadil Sanaan realized that he had become as good as dead – after today he could have no life other than under the cap, the life of some accursed spirit wandering in the darkness, a spirit who could move only in the spheres of frivolous pastimes or evil, deprived of repentance or of doing good."

It is this twilight of moral equivocation which Mahfouz explores with such remarkahle effect, a world in which both genies and terrestrials shroud themselves in disguise and hide in dark alleyways to observe the effects of their actions. The book can be taken as a critiqne of contemporary Islamic society, but Mahfouz'a message is never shrill, nor simplistic.

The final tale, of the repenting sultan who has a glimpse of a blissful after-life but who loses it through over-curiosity, takes on a rich, threnodic quality as he is forced to listen to the words of a "man of experience": "It is an indication of truth's jealousy that it has not made for anyone a path to it, and that it has not deprived anyone of the hope of attaining it, and it has left people running in the deserts of perplexity and drowning in the seas of doubt; and he who thinks that he has attained it, it dissociates itself from, and be who thinks that he has dissociated himself from it has lost his way."

It is a subtle conclusion to these beautifully-drawn fables of human weakness and divine inscrutability from one of literature's most potent voices.

P.A.



COLLECTING

Fair game for treasure hunters

Susan Moore trawls the crowded calendar of antiques and art fairs and outlines the objects of desire on offer at the forthcoming Maastricht event

Natural wonder: Allegory of the Moon, a tapestry of c1550, from Bernard Blondeel at Maastricht; the moon is depicted surrounded by nymphs witnessing to the mysteries of nature, the seasons and the forest

Like sales in high street shops, international art and antique fairs come back-to-back these days. As if the calender for top-drawar avents was not crowded enough, this year sees a flurry of new launches, revivals and repeat performances.

The European Fine Art Foundation, at present putting the finishing touches to its acclaimed flagship fair at Maastricht in the Netherlands, is preparing to launch a second bonanza along the same lines in Basel in September. It aims to attract the central and southern European buyers who do not normally make the trek to Maastricht, and dealers whose stock is not predominantly Dutch or Flemish. The emphasis is on Italian and Franch painting, classical antiquities, jewellery and other works of art.

In direct competition is the new Salon International des Beaux-Arts, which opens as Basel closes at the quai Branley in Paris. Organised by drawings dealer Patrick Perrin, it is pitched as a kind of French edition of the New York Armoury fairs, devoted exclusively to paintings, drawings and sculpture.

Meanwhile, the city'a Salon du Dessin de Collection returns this April and includes foreign dealers for the first time. Italy's pre-eminent commercial art and antiques fair, Milan's biennial Internazionale dell'Antiquariato, has elected to go annual. All jostle for position around the giants of the Paris Biennale, Groavenor House, New York and Maastricht, alongside any number of apecialist, national or regional events.

Fairs are competing for a proportion of a finite number of dealers worldwide. The dealers are competing for clients. Now the auction houses have geared their businesses towards private buyers – offering user-friendly printed estimates, glossy catalogues, condition reports and seemingly impartial advice – dealers cam no longer sit back and wait for the clients whose collecting careers they will guide for life.

The new generation of collectors, entirely at ease strolling around in the anonymity of the saleroom or art fair, is less inclined to open the door of some potentially forbidding private gallery or take the time to trawl the dealers dispersed across a city. The last year or two has seen an increasing number of grand and hitherto extremely discreet, establishments going to the marketplace to meet these buyers.

Old Master dealer Hazlitt, Gooden & Fox, for example, showed at the Paris Biennale and New York for the first time last year, and is due to show at the Salon du Dessin. Furniture and silver dealer Partridge made its debut at Maastricht last year, and French dealers Ariane Dandois, Segoura and Galerie Perrin follow Kugel and Yves Mikaeloff to show at Grosvenor House this summer.

For the dealers, a glamorous art or antiques fair generates a sense of occasion and competition akin to that of a high-profile auction. An interested party is less likely to prevaricate knowing thousands of people will follow in his or her footsteps. And at Maastricht and Basel there is little chance of a walk down the road and a follow-up in the gallery. When the fair is over, works of art and dealers disperse.

Some 60,000 visitors passed through the portals of the Maastricht fair last year, more than a third coming from outside the Netherlands. ft is arguably the only truly international art and antiques fair in the world. Pleasant town though it is, people would not cross Europe or fly in from the US if they were not seriously interested in dipping into their pockets, and this is what gives Maastricht its distinctive edge.

A significant proportion of visitors to the Paris Biennale or London's Grosvenor House are simply passing a pleasant afternoon in the city. No one goes to the hangar-like Maastricht Exhibition and Congress Centre to be enchanted by a bravura Pier Luigi Pizzi stage-set. Maastricht is a fair where business is done. It brings large groups of complementary dealers together and allows them generously sized and relatively inexpensive stands. It is no exaggeration to say that each year it presents unparalleled selections of Dutch and Flemish pictures, and of tapestries, carpets and textiles.

> The new collectors are less inclined to open the doors of a forbidding private gallery

No other fair provides the facility to allow Bernard Blondeel and others to hang half a dozen or more large-scala Renaissance tapestries, say, or can boast 25 landscapes by Jan Van Goyen, as Maastricht did two years ago.

This year's fair runs from March 11-19 and draws together 160 dealers from 11 countries, showing in seven sections: paintings and drawings; works of art; the textile arts; classical antiquities; books, manuscripts and maps; La Haute Joaillerie du Monde; and 20th-century art. Strict vetting is undertaken by specialists.

At long last, the much-debated new layout and presentation have heen agreed. Not only will stands be of uniform height and colour but the new "Greek Cross" floor-plan will allow visitors to enter the fair at its middle rather than at one end. It should be easier for visitors to get their bearings and not miss out entire aisles.

Ever conscious of how tiring this vast fair can be, the organisers have also provided more seating, thicker carpets, softer lighting and better air conditioning. There are plans for a second café, with windows.

There should be more fine French furniture and works of art this year, given new exhibitors including Michel Meyer, Yves Mikaeloff and Galerie Perrin of Paris. Other newcomers include Morsink Ikonen of Amsterdam and A La Vieille Russie from New York.

Beefing up the 20th-century art section, which needs all the help it can get, is the Barbara Mathes Gallery from New York, which hrings Cézanne and Cy Twombly.

Maastricht is unfailingly enjoyable because it combines excellent examples of the obvious with the off-beat and unexpected. In the picture section there are sumptuous still-lifes by Osias Beert the Elder and Willem Claesz Heda (at Kunsthandal P. De Boer, Johnny Van Haeften and Noortman) or the striking Adriaen Coorte at Charles Roelofsz.

Alongside the flower pieces of Jan van Kessel (David Koetser) are the baskets of flowers by Juan de Arellano (Concha Barrios Artemisia). Beside Colnaghi or Axel Vervoordt's Cornelis de Vos portraits is Lucas Cranach the Elder's portrait of tha Elector of Saxony, John the Steadfast (Senger Bamberg). There is room for a striking study of a spoonbill by an anonymous 18th-century Silesian artist (at Peter Tillou) and a highly finished design for an allegorical ceiling decoration by the Neapolitan Fedele Fischetti (Piero Corsini).

Embossed gilt-leather wall hangings from the 17th-century Netherlands are to be found at Kunsthandel Glass, a Nok terracotta haad from ancient Nigeria at Art Gallery Grusenmeyer. Kugel offers a patinated bronze oil lamp pierced with the gaping mouths of monsters ascribed to the circle of Adam van Vianen. Patrick Reijgersberg offers a 12th-century Romanesque pewter knight and charger candlestick recovered from the Lille city moat.

Jan Dirven brings an impressive enamel tazza and ewer dated at 1567-70 and 1600. Angela Wallwitz tempts with a Sevrès lapis-lazuli ground dessert service ordered by Louis XVIII's household for the Vicomte de Chateaubriand. From John Eskenazi comes a carpet woven in the shape of a tiger pelt from Ningxia, northwestarn China. Dating from around 1700, it is the oldest known exampla of this type.

■ *For details of the 50 per cent discount on Sabena flights to Brussels for visitors to the fair, the shuttle service from airport to fair and hotel accommodation, tel: 31 73 145 165; fax: 31 73 147 360.*

ARTS

Tuned in to problem roles

Andrew Clark talks to one of today's great singing actresses, Anja Silja

Few sopranos have achieved as much as Anja Silja. She gave her first professional recital at the age of 10, made her operatic debut as Rosina at 16 and was Bayreuth's Senta at 20. In London she was Klemperer's Leonore in *Fidelio*, and later Cassandre in *Les Troyens*. She has sung everything from Zerbinetta to Carmen, and is remembered as a peerless Salome and Lulu.

Now 54, she has graduated to what she calls the "unmakeable" roles – parts which are one-dimensional or difficult to cast – and has shown how commandingly "makeable" they can be. Silja is back in the UK to sing Herodias in *Salome*, opening at Covent Garden next Saturday. In June she will be Emilia Marty in Glyndebourne's new production of *The Makropoulos Case*.

Silja's early career was dominated by Wieland Wagner, the composer's grandson, with whom she had a long-running affair and whose influence on her performances continued after his death in 1966. She later married Christoph von Dohnányi, who will conduct the Royal Opera's *Salome*. They have three children in their teens and early twenties, and are based in Hamburg.

Anyone who sees a Silja performance is unlikely to forget it – the soulful radiance of her Kostelnicka in *Jenufa*, the expressive intensity of her Ortrud in *Lohengrin*, the vulnerability of her Nurse in *Die Frau ohne Schatten*. Tall and slender, she has a magnetic stage presence, combining purposeful stillness and dynamic gesture. Her voice, underpinned by a solid technique, is bright and strong, and can be emotionally affecting – but her early assumption of heavy dramatic roles has left it with a raw edge.

As one of the great singing actresses of our time, she has well-formed opinions about opera production. She criticises Götz Friedrich, Harry Kupfer and other Felsenstein disciples for encouraging "too much action and heavy movement", and bemoans the growing influence of directors from the spoken theatre who "only understand the meaning of the words, not the higher dimension of music". However, American director Bob Wilson receives unexpected praise, "because he demonstrates the inner side of the drama."

She believes Placido Domingo has "absolutely the wrong voice" for the Wagner roles he has been singing, and says the record industry has encouraged an over-emphasis on beauty of sound. "Singing by pure sound doesn't make sense – you have to pronounce the words so that they mean something. This is how I grew up – using words and music at the same time. Whether you sing with a beautiful or ugly voice doesn't matter, so long as it fits the character."

But Silja admits that in recent years she herself has taken more care of the sound she produces. "I used to work the way many singers do – learning everything at the last minute. Christoph made me practise more. I sing more thoughtfully now, I prepare the tones better. Previously I just opened my mouth! But I still don't think about technique. It sounds strange, but I started so early, at the age of six, that I've never had to think why I do what I do. I went pretty far just doing what I was taught, so obviously I did the right thing – otherwise I wouldn't still be singing."

Her assumption of roles like Isolde and Brunnhilde in her twenties was widely criticised at the time. Silja considers herself fortunate to have sung them at an age when she could give a realistic stage portrayal. "I sang them at the age the characters were meant to be. Isolde is 16 or 17 – I sang it when I was 20 and 21, and that was perfect. Wieland made me believe it was not so important to compete with big voices like Flagstad and Nilsson – rather to *be* the part. I had no inhibitions. I had a penetrating voice, even if it wasn't wide, but it always reached the back of the hall."

She reckons she could still sing Salome and Isolde "better than some other sopranos today", but says ageing divas look ridiculous trying to portray younger women. So she tackles the so-called problem-roles – and is as much in demand as ever. "I think this shows there's a real interest in personalities, and not in beauty alone – which is boring, as in personal life. There has to be something behind the beautiful face or voice if it is to be interesting – just as there has to be something more to Ortrud and the Nurse than pure evil. I try to make them human."

The same is true of Herodias in *Salome*: her influence on the outcome of Strauss's opera is negative, and she has little to sing. This is precisely the "unmakeable" quality that attracts Silja. "She doesn't show any development on stage, so I try to show her past. What has always interested me is not just the singing passages, but those long spells when she is silent – making her presence felt, showing that the part continues. You have to be alert, to listen and portray the words the other person sings."

Having sung Salome herself around the world, can she pass on any tips to budding interpreters? "There are several possibilities – you can be the childish Salome, small and helpless. I always did it in a much stronger way. But however you do it, one thing is essential – you have to have natural sex appeal. It's something you're born with, you can't 'put it on'. Carmen and Lulu are the same. You can sing it, act it, fulfil the steps the director asks – but unless you're sexy, it's just a performance."

Anja Silja, Herodias at Covent Garden next week: pictured in 'The Makropoulos Case' in a role she will sing at Glyndebourne

Radio/Martin Hoyle

Taste of the transatlantic

Hi! It's been a swell week what with the American-style Radio Times and all. Actually the radio week was rather less American than usual; but what there was was big if not particularly beautiful. Admittedly the Radio Times let the side down by referring, in the Radio 3's *The USA in the 1940s*, to "Rogers" and Hammerstein, as if this year's Reith lecture had wandered over from Radio 4; but then it is not too hot on the old world either... recent *canards* include attributing a portrait of Nell Gwynne to Rubens, who died 20 years before she was born, and identifying "God Save the Queen" as our "unofficial national anthem". What, I wonder, does the Radio Times think our official national anthem is? "The Stars and Stripes Forever", I suppose.

On radio the main transatlantic event was Shakespeare's *Julius Caesar*, as opposed to television's new series of *Superman* which made the RT cover. British director Martin Jenkins recorded the work with an American cast, including Richard Dreyfuss and Stacy Keach, in Los Angeles. I am unsure why. The result had a sense of occasion but not much else, the players performing in hushed would-be intensity in the strangled mid-Atlantic tones adopted by Americans when they want to sound cultured and by the English when they want to sound laid-back. At first glance a world away from last week's *Bomber*, the production suffered from the same syndrome: extra-dramatic porteotousness, the attempt to add a dimension to the writing and acting by means of external gimmickry.

Just as there can be nothing more fascinating on television than the much-dreaded talking head, when people are left to speak for themselves on radio the result can be riveting, as in *When the Trains Came* in the international series *Your Place or Mine?* (R4). Gentle people from Newington Peene spoke of the destruction of their village in the wake of the Channel Tunnel terminal. Not demonstrators, environmentalists or greens, they merely remembered the nightingale calling to its mate (now denied nocturnal darkness by the perpetually lighted terminal, motorway extension and maintenance area), recorded "almost a feeling of pain" at the demolished woodland, and fear of becoming marshalling yard. Eurotunnel owns three quarters of the houses; no more casual greetings to neighbours. "The way the world's going there'll be nothing of the past left", someone said. A phrase that recurred in their lament was "no disrespect". How much disrespect has been shown to these dignified, resigned people? Ironically, their village sounds a blueprint for Mr Major's nostalgic view of Britain, the sort of place we say never existed. But it did; and makes an unresisting target for vested interests.

Finally a word of apology. The light has dawned. How wrong can you be? There was I thinking Talk Radio UK was a seriously intentioned radio station... A subsequent incredulous session with the show-biz obsessed naffs discussing how much it would take for them to pose for nude photographs, "dangly bits" and all, and even more show-biz naffs on "kiss-and-tell" stories, and the truth sank in. The nasal whine of one of the female presenters brought it home: it was either Janine Duvitzki or the wonderful Alison Steadman – of course, the whole thing is a play by Mike Leigh, squalid, pitiable and funny, peopled with grotesques. Still the most hilarious thing on radio.

Saleroom/Mariana Schroeder

Rocks are out in St Moritz

It is high season in St Moritz: diamonds catch the light, six inches of fresh snow cover the slopes and the English still dress for dinner. True, there are fewer crowned heads, but a new aristocracy of oil, industry and business has taken their place. It only seems natural that Sotheby's and Christie's have chosen this Swiss town to sell their jewels.

Sotheby's was the first to discover the potential of the Swiss ski resort, and has held jewellery auctions there for the past 20 years. Christie's joined in five years ago. "We could not afford not to be there when Sotheby's was there," says François Curiel, president of Christie's Switzerland.

The rivalry between the two auction houses is no secret and both follow a similar pattern in their auctions. "The only thing we agree on is the calendar," says Simon de Pury, chairman of Sotheby's Europe.

Christie's holds court at the Palace Hotel. Sotheby's sets up at the Kulm. The sales are broken down into two sessions a day, starting in the afternoon when the skiers wander in from the slopes. The most valuable pieces usually come last, and as evening approaches, the excitement grows.

Cocktails served between the sessions liven up the crowd. Several men wear black tie, while some ladies are still wearing their Chanel moon boots trimmed with fake gold chains. Even the dealers hava changed into dark suits.

At Christie's, Curiel takes the podium for the evening session. At Sotheby's, it is Simon de Pury. His reputation is such that some clients make it a condition of their contract that he conduct the sale. "I think it is my enthusiasm – I try to convey a bit of passion and excitement," he says.

Private buyers still predominate at the St Moritz suctions. Of the top 10 items in Sotheby's sale, six were purchased by private buyers. "We tend to put slightly different things into the sale in St Moritz – Cartier pieces, Marina B – these are the kinds of things people who come to ski tend to buy. I would not put any $5m diamonds in this sale," says David Bennett, European director of Sotheby's jewellery.

Impulse buyers usually purchase items priced between SFr10,000 and SFr20,000. But not always. A private buyer paid $90,000 for a pair of JAR earrings that had been estimated at $12,000-$16,000 at Christie's. And at Sotheby's an American diplomat bought a Van Cleef & Arpels sapphire and diamond ring for Sfr157,500.

One impulse buyer had come for a week of skiing. "He came in for tea, wandered into the room where the jewels were displayed and asked if his wife could try on lot 407," says Curiel. "He had come to St Moritz without the faintest idea of buying jewellery. But he came back to the auction that evening and the bought the 10.39 carat marquise-cut diamond ring, plus a heart-shaped diamond pendant weighing 10.11 carats on an 18K white gold chain for SFr320,500."

In spite of such high points the sales were only moderately successful. Both houses sold only about 64 per cent of the lots on offer. Sotheby's did better in percentage of value sold – just over 61 per cent. Percentage of value for Christie's came to nearly 57 per cent. Christie's sale total was SFr10,105,995 (£5,129,947); Sotheby's SFr18,522,775 (£9,307,927).

The sale totals are substantially lower than last year's, when Christie's total was more than SFr22m and Sotheby's more than SFr23m for the St Moritz sales, although comparison is difficult because fewer lots were offered kets in an effort to eliminate some of the lower value lots, cut costs and avoid over-saturation of the market.

The experts blame the drop in the US dollar shortly before the sale. But other factors contributed to the sluggish market. Political and financial scandals in Italy kept many of the buyers from attending. Then there is Ramadan, the Moslem holiday which coincided with the sale. "Most of our Middle Eastern clients were praying rather than buying," says Curiel.

But new clients are emerging. "We sold 20 per cent of our jewellery last year in Asia, mostly to clients who had never bought from an auction house before," he says. At Sotheby's, an Asian private buyer purchased one of the most important lots: a rare emerald necklace made up of 45 melon-shaped beads. It sold for Sfr707,500, well above its Sfr390,000 minimum estimate.

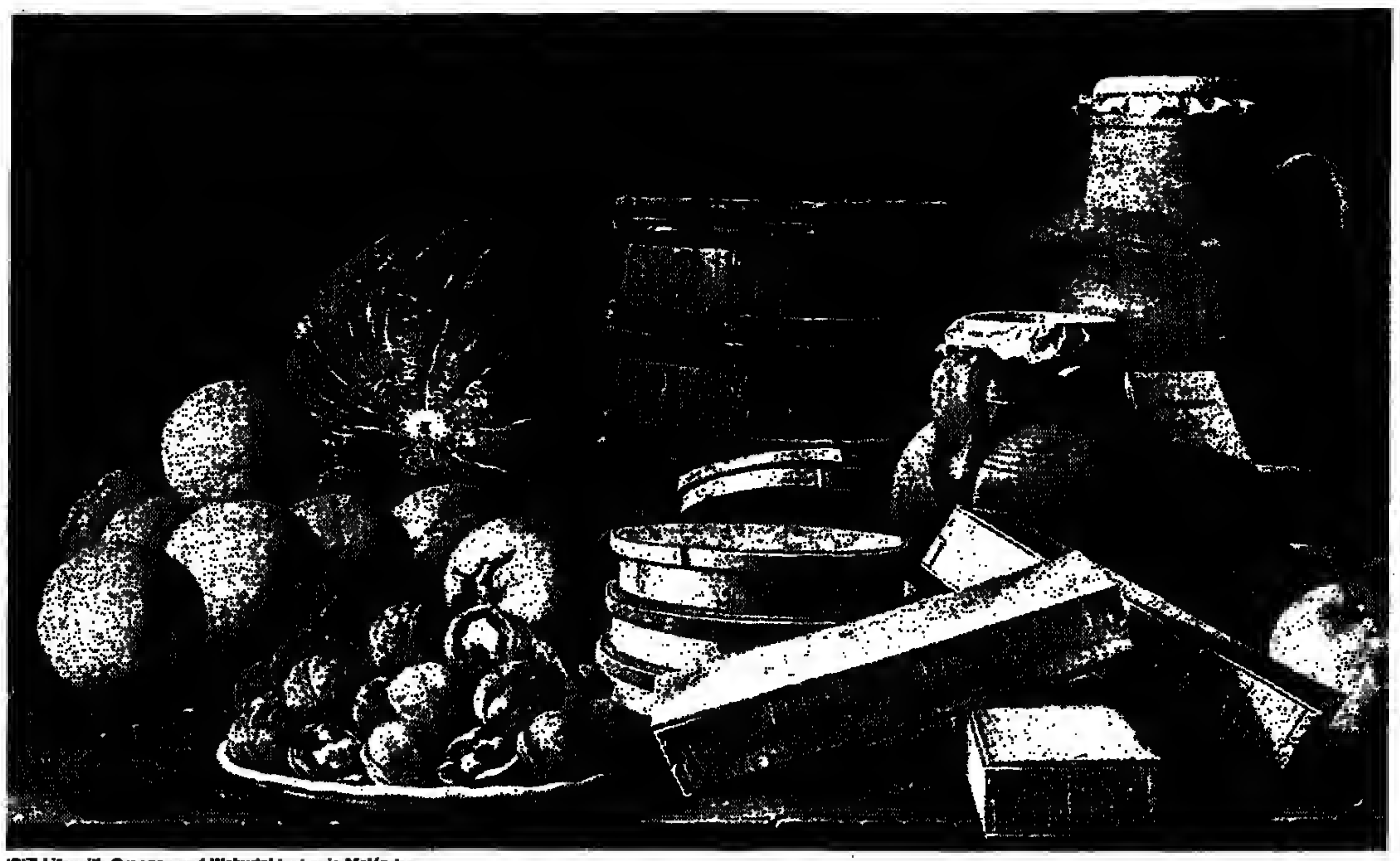
Quality still sells best. The finest stones and the best pieces designed by famous jewellers brought top prices at both sales. Provenance is also important. Pieces from well-known owners tend to bring three to four times their actual value.

Whether or not jewellery is a good investment is another question. The experts generally advise private buyers against investing in jewellery. David Bennett urges clients to buy for love. "My feeling is that certain areas of the jewellery market have remained very strong. The 1930s, great jewels, antique jewels. My personal view is that antique jewels are largely undervalued."

Security is one reason why Switzerland is a good place to buy jewellery. Import duties are also negligible – SFr1.00/ per kilo. There are no currency regulations and absolute secrecy in financial transactions. The value added tax is only 6.6 per cent and refundable for all jewellery that leaves Switzerland. Jewellery sales are still held in Geneva – that is where the 100-carat diamonds are sold.

St Moritz is part sale, part social event. The resort has always attracted the rich and the famous. British aristocrats started it all in 19th century when they made the Kulm Hotel their private club and invented the winter season. Europe's nobility followed. By the 1930s the scene had changed and film stars and politicians joined the mix. Jet-setters now arrive by private plane and although Gunther Sachs, Europe's last playboy, keeps a flat in the Palace, new faces are filling up old places.

ARTS


'Still Life with Oranges and Walnuts' by Louis Meléndez

Symbolism of the still life

William Packer admires the Spanish exhibition at the National Gallery

The still life, the object taken from the natural world, closely observed and presented as itself, has its origins far back in classical times. It has been present ever since, as both pictorial prop and a reminder of the real and physical world. Also, its symbolic uses have always been seized upon, to reinforce the particular point the painting might wish to make – the skull for our inevitable fate, the rotten fruit to signify the corruption of the flesh, the hour-glass to tell us that all things must pass.

Indeed the game of iconographical interpretation of such still-life elements has always been one of the principal pastimes of the art-historian.

Here, in what is a lovely exhibition, much is made in exegesis of the classical antecedents of the still life, most especially in the story of the painter Zeuxis, whose painted grapes deceived the birds. One of the several works by Zurbarán, which take up an entire wall, is of a bird taking just such a grape from a plate. But the bird is described as a linnet when it is clearly a goldfinch – and the goldfinch, we remember, is the symbol of Christ's Passion.

Zurbarán was never indifferent to the religious connotation; nearby is his exquisite "Cup of Water and a Rose on a Silver Plate", image of the purity of The Virgin, who was sometimes called "The Mystic Rose". The other painting, with its wasp and butterfly and burst pomegranate besides the grapes, is fraught with possibility. But a goldfinch is not a linnet. If one is an art-historian to whom such things matter, they must first be got right.

But what was new around the turn of the 17th century was the spirit of realism newly abroad in Italy and the Low Countries as well as Spain. The cross-fertilisation of influences is evident, of Caravaggio upon the young Velásquez especially, and the general importance, too, of the Dutch example, from the loaded stalls and tables of Snyders to the flower-pieces of Seghers, all expensively fashionable in Spain at that time. The peculiar case of Juan van der Hamen makes the point, whose noble Flemish parents had established themselves at Court in Madrid long before he was born, and who, native Spaniard himself, responded in turn to this new *Flemish* work.

From the use of the still life as the point of contact with mundane and everyday experience – Velásquez' fish and eggs on Martha's table, or the kitchen clutter in Pereda's allegory of lost virtue – to the separation of the still-life as a worthy study in itself, was no great step. And their allegorical possibilities remained no less: indeed could gain by the closer focus thus afforded – the thread, of life, that holds aloft the cabbage, the melon open and exposed, the burst pomegranate, the broken plate.

And what these Spanish artists of the early 17th century brought to their new-fangled still life was the sharpest focus, and a scrutiny of peculiar intensity. The show opens with Juan Sánchez Cotán of Toledo and were it not for the delights that follow, we need hardly go further. Against a ground of impenetrable darkness yet infinite depth, a shelf is set in a sharp light, with quince and cabbage strung above, and melon and cucumber together describing a perfect curve within the rectangle.

The formula is repeated and varied. Van der Hamen plays formal games with the shelf itself, stepping it asymmetrically at various depths and levels before decking it with fruit and flowers of all kinds. With Zurbarán we are back to a more stringent formality, clear and simple, each careful group discrete in its sharply raking light. The very leaves themselves cut the air, like the plate's rim, or knife's edge.

It is this febrile clarity, of both sensibility and vision, this heightened awareness of surface and substance, space and light, which sets these artists apart. Thereafter, from the later 17th century, accomplished as it is, the work grows less distinctive in its Spanishness, more decorative, general and European in feeling. Only at the end, with Goya, are we brought up short by a handful of paintings, too few of them, that at once look back to the older Velásquez in their softness and lightness of surface, and forward to the naturalism to come, to Courbet and Manet and to Modern Painting.

The Spanish Still Life from Velásquez to Goya: at The National Gallery, Trafalgar Square WC2, until May 21. Sponsored by Glaxo plc.

Television/Christopher Dunkley

Drama turns to the law

It is impossible to imagine *any channel* controller, head of department, or writer who, in 1995, could, with a straight face, slap the desk and cry "I know what television really needs: a *drama series about an office* full of lawyers!" So what is *Crown Prosecutor* really all about? The billing says it is "A fast moving ensemble drama series set in a local Crown Prosecution office and the magistrates' courts it serves". Radio Times suggests we should "Imagine *LA Law* set in England, produced by the makers of *Crown Court*, and featuring a cast of familiar TV faces". But if you have a look at the first half dozen episodes (two have been screened so far, on Thursdays) it seems clear that this is yet another example of television-by-numbers.

Meaning that audience figures are a bigger consideration than quality, or that it is like painting by numbers? Both. It is pretty obvious that *Crown Prosecutor* has not come to our screens because some passionately creative soul had an overwhelming desire to convey to the public the deep significance of the Crown Prosecution Service. Nor because the CPS seemed like the best setting in which to explore the eternal verities or the meaning of life. On the contrary, it looks like a carefully gauged attempt to set up another 30-minute drama banker, like *The Bill* on ITV, which can be relied on week in, week out, year in, year out, to pull in 10 or 12 million viewers two or three times a week. With *Eldorado* put down prematurely, and plans to convert *Casualty* into a twice-weekly half-hour series scrapped after internal wrangling, BBC1 feels itself to be much in need of such a series.

As for painting by numbers, well, not very much seems to have been left to the imagination of the artist. Different episodes of *Crown Prosecutor* are written by different journeyman writers, who seem to have been presented with very definite outlines which can be filled in only with simple block colours. The characters, instead of developing organically with the complexity of real individuals, seem to have been assembled from blocks like Lego people. There is Sheila Cody, deputy head of the outfit, who is attractive and a flirt but not in the first flush of youth. There is middle aged Lenny who is a pedant, lives alone, yet uses disposable covers on his lavatory seat. There is Jackie who is young, female and white and Eric who is young, male, and black. And so on.

Of course this is not a soap opera. In a true soap the setting is domestic or (as with *Crossroads*) as near domestic as makes no difference, characters are of a type with which most viewers will be familiar from their own lives, and events are quotidian. By contrast the action in series such as *Crown Prosecutor*, *The Bill* and *Casualty* occurs within an organisation which ensures a perpetual supply of dramatic incident, the like of which intrudes into the lives of most viewers only rarely, if ever. The trick with such series is to preserve a fine balance between dramatic incident arising from the job and the mundane detail of the lives of the staff. It is this combination at which current American drama series often excel.

In *LA Law*, for instance, while the love lives and the office politics of the lawyers form the central strands of the thread that runs from episode to episode, and even from series to series, the thread is strengthened and decorated with the court cases. Although nothing like as complex as those in, say, *Ironside*, these are satisfyingly complete stories. True, there is too much of a tendency for coincidences to crop up between the court proceedings and the private lives of the lawyers, but it is never as blatant or contrived as it used to be in *Rumpole*.

Crown Prosecutor suffers, in these early episodes anyway, from a feeling that we are forever being dragged away from the private lives of the lawyers – Marty's chronic lack of a flat, tough young Nina's trouble with her globe trotting man, Ben's disgraceful tendency to hold doors open for women and send young Jackie out for sandwiches – to be rushed into court. Then, the moment we have become interested in the court case, we are hustled away again to catch up on the latest developments around the coffee machine. Perhaps there is too little scope in a 30-minute episode; *LA Law* does get nearly twice as long. On the other hand *The Bill* is a half-hour series, and it manages to achieve a remarkably successful balance. Matters may improve with time, but do not bet too much on *Crown Prosecutor* being with us this time next year.

Chess No 1064:
1 Rcg1. If hxg1Q 2 Rh8 and 3 Rb8. If Bxg1 2 Nf2 Bxf2 3 Rb1.

Video/Nigel Andrews

Delinquent sexual politics

Last month was male chauvinism month. My long-held suspicion has now turned to certainty: a divinity does shape *our video release patterns, rough-view* them how we will. February'e consignment was surely conceived by a group of raving M.C. pigs, possibly whipcracked to fiercer action by Camille Paglia.

Can great cinema co-exist with delinquent sexual politics? Almost certainly yes. The month leads off with Fellini and Antonioni in full-blown form. Signor A's *Identification Of A Woman* (Connoisseur) is the most subtly "masculinist" film from a director who once turned Monica Vitti into an male existentialist's clothes-horse.

Rome looks gorgeous, courtesy of the spidery-sensual camerawork, in this tale of a film-maker (Tomas Milian) torn between two "mysterious" women. The bravura moments – including a haunting, fog-shrouded car accident – give visual uplift to a film that seems to celebrate rather than to lament the failure of two sexes to find true communion.

Federico F takes a brasher approach to the man-woman divide. *City Of Women* (Artificial Eye) is an Eric Cantona-style leap across the barricades, boots first. Marcello Mastroianni plays the hero, emerging from a first-scene train wreck to find himself in a fantasy city run by embattled, loudmouthed women. From there he rollercoasts – literally, in one of the maestro's favoured fairground sets – into a villa run by a modern Casanova.

Wa start with foaming satire. We end with elegiac priapism. We sense throughout that Fellini has lost his way in this sex war as much as his hero, but is determined to make a party out of the disorientation.

Both films were made a while ago, in the early 1980s, and sexual politics has moved on since then. Or has it? *The Good Father* (Channel Four), directed in 1986 by Mike "Four Weddings" Newell, is even more misogynistic than the Fellini. It is also horribly funny. Anthony Hopkins throbs around South London on his motorbike, visiting venom on an alimony-suing ex-wife while seeking a few restorative moments with his alienated son. All the wounds of the eternal sex war are displayed, with satirical salt rubbed in. Christopher Hampton scripted from Peter Prince's novel.

In the 1990s we are still not sure – perhaps even less sure – that women get a fair deal from a patriarchal culture; or that men are giving themselves a fair deal from their own self-portraiture.

Some films are more self-aware than others. Krzysztof Kieslowski's *A Short Film About Love* (Tartan) is a bleak, funny masterpiece about a Peeping Tom who ogles a neighbouring woman with a telescope, only to find that he cannot function when that distance is wish-fulfillingly erased.

Abel Ferrara's *Bad Lieutenant* (Guild) tries for ironic detachment, but stumbles instead into gung-ho. We are asked to identify with as much as to condemn the film's drug-shooting, trigger-happy, prostitute-exploiting policeman hero Harvey Keitel. The video lingered long on the British censor's shelf and one almost sees why.

Other male ego trips bound forth from the video shops. *Maverick* (Warner) reduces one of Hollywood's finest actresses, double Oscar-winner Jodie Foster, to chief floozie in Mel Gibson's western harem. And in *The House Of The Spirits* (Entertainment) Meryl Streep and Glenn Close, Hollywood's two other finest actresses, are ground under the macho heel of an overacting Jeremy Irons.

For a corrective vision of sexual-political justice, why not sample a film about women by women? Lizzie Borden's *Working Girls* (Connoisseur) is a witty, caustic documentary about life in a New York brothel. Seen from the workers' viewpoint, it puts men firmly in their places: which, when the clothes are off and the chips are down, is lying horizontal on the same rumpled battleground as women.

Theatre/Sarah Hemming

Alternative 'Sisters'

As a company which only does productions with women performers, Scarlet Theatre must face certain restrictions when it comes to classic texts. Becket's *Waiting for Godot* would not be ideal and Mamet's *Glengarry Glen Ross* might pose a problem. Chekhov's *Three Sisters*, on the other hand, is rather more promising.

And so we have *The Sisters*, Chekhov's text boiled down to an hour and ten minutes, with all the male characters sieved out. Scarlet Theatre's production at the Young Vic Studio focuses on Olga, Masha and Irina; Anfisa their ancient servant; and Natasha, their sister in law. It is a fascinating exercise that has the same relation to Chekhov's play as tha variations on the theme of music might have to the original.

The group worked with Katarzyna Deszcz, who directed, and Andrzej Sadowski, who composed the text, both from Poland's Mandala Theatre. The result is visually striking: huge bell-like lamps hang over the small square stage with each sister sitting beneath one – a device that both emphasises isolation and is used to startling effect when Irina goes wild, swinging the lamps around. With beautiful economy the production whisks through the story, concentrating on its changing moods and expressing powerfully the sisters' gathering despair and frustration.

Each actress has an intriguing little movement that encapsulates her character. Helen Anderson's Masha gives an impatient little stamp; Emma Bernard's giggly Irina brushes her brow melodramatically; Gráinne Byrne's careworn Olga holds her hands up before her. For Linda Kerr Scott's busy, beady little Anfisa, it is an agitated patting of her chest.

It is a mesmersing atmospheric piece, but it has limitations – chiefly that it might confuse someone who was unfamiliar with the play. And in the end, ironically, you rather miss the men. While this show has its own poetic power, it left me itching to see this group perform the full bodied *Three Sisters* – dare I say it – men and all.

INTERNATIONAL ARTS GUIDE

What's on in the principal cities

AMSTERDAM

GALLERIES

● **Rijksmuseum** Tel: (020) 673 21 21
UKIYO-E: the finest Japanese prints; to May 28

● **Stedelijk** Tel: (020) 5732 911
Alfa Romeo: The Essence of Beauty: exhibition of the development and design of Alfa Romeo cars from the early part of this century to the most recent models; to Apr 2

● **Tropenmuseum** Tel: (020) 568 8200
Nomads in Central Asia: more than 1,000 objects on loan from the Russian Ethnographic Museum in St Petersburg. Exhibits range from a traditional herdsman's tent to embroidered clothing; to Jul 20

■ BALTIMORE

THEATRE

Center Stage Tel: (410) 685 3200
Happy End: by Bertolt Brecht and Kurt Weill, directed by Irene Lewis and adapted by Michael Feingold; 8pm; to Mar 26

■ BERLIN

GALLERIES

● **Altes Museum** Tel: (030) 203 550
Munch and Germany: exhibition of early works by Norwegian artist Edvard Munch and German artists influenced by him; to Apr 23

● **Deutsches Historische** Tel: (030) 215 020
☐ Art from the GDR 1949-1990: exhibition that looks at politically commissioned art in the old German Democratic Republic; to Apr 18
☐ *Pictures and References* to German History: more than 2,000 paintings, coins, materials and other artefacts that document the history of Germany; to Dec 1 (Not Sun)

● ***Neue Nationalgalerie*** Tel: (030) 266 2653
George Grosz, Berlin-New York: exhibition of tha German Dadaist who emigrated to the US; to Apr 17

OPERA/BALLET

● **Deutsche Oper** Tel: (030) 341 9249
☐ Die Zauberflöte: by Mozart. Conducted by Lawrence Foster/Sebastian Lang-Lessing/Stefan Soltesz and produced by Günter Krämer; 7pm; Mar 10
☐ Faust: by Gounod. Conducted by Lawrence Foster/Heinrich Hollreiser/Jiři Kout, production by Jean-Pierre Ponnelle; 7pm; Mar 5
☐ *Les Intermittences du Coeur*: ballet in two parts by Saint-Saëns. Choreographer, Roland Petit; 7.30pm; Mar 9
☐ Martha oder Der Markt zu *Richmond*: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Mar 11
☐ Tanhäuser: by Wagner. Conducted by Jiři Kout, production by Götz Friedrich; 6pm; Mar 4

■ BOLOGNA

OPERA/BALLET

● **Teatro Comunale** Tel: (051) 529999
Carmen: by Bizet. A new production directed by Fredrico Tiezzi and conducted by Garcia Navarro. Soloists include Elena Zaremba as Carmen and Maria Bayo as Micaela; 8.30pm; Mar 5 (3.30pm), 7, 9

■ BONN

GALLERIES

● **Kunst-und Ausstellungshalle** Tel: (0228) 9171 236
Under the Volcano Antique Masterpieces: second in the "Great Collections Series", this exhibition represents e modern "excavation" from among the 200,000 works of the Museo Archeologico Nazionale di Napoli that includes statues, frescoes and ceramics; to Jun 5 (Not Mon)

■ FRANKFURT

CONCERTS

● **Alte Oper** Tel: (069) 1340 400
☐ Chanson Gala '95: with Juliette Gréco; 8pm; Mar 5
☐ Philharmonisches Staatsorchester Halle: with violinist Christian Altenburger. Heribert Beissel conducts Mozart and Beethoven; 8pm; Mar 9

■ LONDON

CONCERTS

● **Barbican** Tel: (0171) 638 8891
☐ Brahms Evening: Sir Simon Rattle *conducts the City of Birmingham* Symphony Orchestra with violinist Maxim Vengerov; 7.30pm; Mar 4
☐ *Joanna MacGregor*: pianist plays Messiaen as part of the Barbican celebrity recital series; 4pm; Mar 5
☐ Opera Gala Night: operatic highlights from the London Symphony Orchestra conducted by *Paul Wynne* Griffiths. Soloists include soprano Josephine Barstow and tenor Arthur Davies; 8pm; Mar 11
☐ Pierre Boulez 70th Birthday Celebration: Boulez conducts the *London Symphony Orchestra* with violinist Anne-Sophie Mutter and soprano Laura Alkin to play Berg, *Stravinsky and his own compositions*; 7.30pm; Mar 8, 9


A Kazakh camel driver from 'Nomads in Central Asian' at the Tropenmuseum, Amsterdam

● **Festival Hall** Tel: (0171) 928 8800
☐ Philharmonia Orchestra: with *pianist Murray Perahia*. Wolfgang Sawallisch conducts Strauss and Schumann; 7.30pm; Mar 11
☐ The London Philharmonic: Franz Welser Möst conducts Shostakovich *and Strauss; 7.30pm; Mar 5*
☐ The London Philharmonic: with cellist Truls Mork and conductor Mariss Jansons plays Shostakovich and Bruckner; 7.30pm; Mar 8

GALLERIES

● **Barbican** Tel: (0171) 638 8891
Impressionism in Britain: the first comprehensive survey of the development of Impressionism in *Britain. More than 200 works by more* than 100 artists including Degas, Rothenstein and Whistler; to May 7

● **British Museum** Tel: (0171) 636 1555
Byzantium: treasures of Byzantine art and culture from British collections; to Apr 23 (Not Sun)

● **Festival Hall** Tel: (0171) 928 8800
After Auschwitz: exhibition of paintings, *sculpture* and photography; to Apr 17

● **Hayward** Tel: (0171) 281 0127
Yves Klein: more than 100 works conveying the full range of Klein's output from paintings and *sculpture* to installations, events, architectural schemes to stage and film scenarios; to Apr 23

● **National Gallery** Tel: (0171) 839 3821
Spanish Still Life: from Velázquez to Goya. Exhibition of 16th-17th century paintings by artists such as Cotán and Zurbarán; to May 21

● ***Photographers Gallery*** Tel: (0171) 831 1772
Photography from the Former Soviet Union: *exhibition in both galleries of* past and present Soviet photographers, including the work of Alexander Rodchenko; to Mar 18

● **Royal Academy** Tel: (0171) 439 7438
Poussin: over 90 works by the French artist. Centerpiece of the exhibition are the two series of the 'Seven Sacraments'; to Apr 9

● ***Serpentine*** Tel: (0171) 402 0343
Man Ray: exhibition of works by the celebrated artist; to Mar 12

● **Tate** Tel: (0171) 887 8000
Willem de Kooning: exhibition *featuring more than 70 paintings* drawn from privata and public collections worldwide; to May 7

● **Victoria and Albert** Tel: (0171) 938 8500
Warworks: women photography and the art of war. A perspective of war through the eyes of international women artists; to Mar 19

OPERA/BALLET

● ***English National Opera*** Tel: (0171) 632 8300
☐ Madama Butterfly: Puccini'a opera, originally directed by Graham Vick; 7.30pm; Mar 9, 11
☐ *The Cunning Little Vixen*: by Leoš Janáček. Original director, David *Pountney*; 7.30pm; Mar 4, 8, 10

● **Royal Opera House** Tel: (0171) 340 4000
☐ *Giselle: music by Adolphe Adam.* A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30pm; Mar 7, 8
☐ La Bohéme: by Puccini. *Conducted by Simone Young*/Paul Wynne Griffiths, directed by John Copley. Soloists include Angela Gheorghiu/Amanda Thane as Mimi *and* Maria McLaughlin/Judith Howarth as Musetta; 7.30pm; *Mar 4*, 6
☐ Salome: by Strauss. A new *production* directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Mar 11 (7pm)
☐ Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, produced by *Anthony* Dowell; 7.30pm; Mar 9, 10

THEATRE

● **Aldwych** Tel: (0171) 836 6404
Indian Ink: by Tom Stoppard. With Felicity Kendal, Margaret Tyzack and Art Malik; (Not Sun)

● **Apollo Shaftesbury** Tel: (0171) 494 5070
In *Praise of Love*: by Terence Rattigan. Directed by Richard Olivier, comedy is based on the relationship *between* Rex Harrison and his wife. With Peter Bowles and Lisa Harrow; 8pm; from Mar 6 (Not Sun)

● **Gielgud** Tel: (0171) 494 5065
Design for Living: by Noel Coward and directed by Sean Mathias; 8pm; (Not Sun)

● **Greenwich** Tel: (0181) 858 7755
The Duchess of Malfi: by John Webster, directed by Phillip Franks. With Juliet Stevenson and Simon *Russell Beale; 7.45pm; (Not Sun)*

● **National, Cottesloe** Tel: (0171) 928 2252
☐ Alice's *Adventures Under Ground*: adapted from the writinga of Lewis Carroll by Christopher Hampton. A look into the darker sida of e man known by millions as a storytaller for children; 7.30pm; Mar 8, 9 (2.30pm), 10, 11 (2.30pm)
☐ *Dealer's Choice*: written and directed by Patrick Marber, aix men stay up late to play poker; 7.30pm; Mar 4 (2.30pm), 6, 7

● **National, Lyttelton** Tal: (0171) 928 2252
What the Butler Saw: by Joe Orton. Directed by Phyllida Lloyd, with John Alderton as Dr Prentice, and Richard Wilson as Dr Rance; 7.30pm; Mar 4 (2.15pm)

● **National, Olivier** Tel: (0171) 928 2252
The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his *first production at the National*. With Denis Quilley as Felstaff; 7.15pm; Mar 4 (2pm)

● **Old Vic** Tal: (0171) 928 7616
Conversations with My Father: by *Herb Gardener and directed by Alan* Ayckbourn. Stars Judd Hirsch who won a Tony award for his rola; 7.45pm; *from Mar 7 (Not Sun)*

● **The Pit, Barbican** Tel: (0171) 638 8891
New England: Richard Nelson's new play; 7.15pm; Mar 10, 11

■ LOS ANGELES

CONCERTS

● **Dorothy Chandler Pavilion** Tel: (213) 850 2000
☐ Fleisher Plays Ravel: with pianist *Leon Fleisher and mezzo-soprano* Carmella Jones. Lawrence Foster conducts Steiger, Falla and Ravel's "Piano Concerto In D"; 8pm; Mar 9, 10 (1.30pm), 11
☐ *Los Angeles Philharmonic: with* violinist Issac Stern. Esa-Pekka Salonen conducts Sibelius, Bruch, Mozart and Bartók; 8pm; Mar 6
☐ Mullova Plays Shostakovich: *Esa-Pekka Salonen conducts* the Los Angeles Philharmonic with harpist Lou Anna Neil and Violinist Viktoria Mullova to play Ravel, Bartók and Shostakovich'a "Violin Concerto No.1"; *8pm; Mar 4, 5 (2.30pm)*

■ MADRID

GALLERIES

● **Fundación Juan March** Tel: (91) 435 48 40/435 42 40
Klimt-Kokoschka-Schiele: exhibition of 35 works by the three Viennese artists; to May 21

● **Prado** Tel: (91) 420 28 36
☐ Sebastiano Del Piombo: Venatian *born artist of the Italian Renaissance* and his influence on Spanish painting during the 16th and 17th centuries; to Apr 30
☐ Zurbarán: Jacob and His Twelve Sons; to Apr 30

● **Reina Sofia** Tel: (91) 468 30 02
Salvador Dali: the early years; to Jun 16

■ MUNICH

GALLERIES

Haus der Kunst
Deutsche Romantic: previously on *show in London*, this exhibition has created much discussion in Germany. It examines tha work of early German Romantic paintars and their impact on later German artists; to May 1

OPERA/BALLET

● **Bayerischa Staatsoper** Tel: (089) 22 13 16
☐ *Der Junge Lord*: by Hans Werner Henze. A new production by Günter Krämer and conducted by Dennis Russell Davies; 7pm; Mar 8
☐ Die Ausflüge des Herrn Brouček: by Janáček. A new co-produced with tha English National Opera, London. Produced by David Pountney and conducted by Peter Schneidar; 7.30pm; Mar 5, 9
☐ Don Giovanni: by Mozart, in *Italian*. A new production by Nicholas Hytner with conductor Hans Drewanz; 7pm; Mar 4, 6, 11

■ NEW YORK

CONCERTS

● **Alice Tully Hall** Tel: (212) 875 5050
☐ *Great Parformers* at the Lincoln Center: violinist Vladimir Spivakov and pianist Sergei Bezrodny; 3pm; Mar 5
☐ *The Latin Tinge: Tito Puente* conducts small and big band music performed by Gerry Gonzalez and the Lincoln Center Latin Jazz Orchestra; 7.30pm; Mar 10

● ***Avery Fisher*** Tel: (212) 875 5030
☐ American Symphony Orchestra: with pianist Robert Taub and soloists Christina Goerke and Marietta Simpson. Leon Botstain conducts Mendelssohn and Syzmanowski; 7.30pm; Mar 10
☐ New York Philharmonic: with baritone Dmitri Hvorostovsky and conductor Valery Gergiev plays an ell Russian programme of Mussorgsky and Rimski-Korsakov; 8pm; Mar 4, 7
☐ *New York Philharmonic: Valery* Gergiev conducts Liadov, Berlioz and Tchaikovsky; 8pm; Mar 9, 11

● **Carnegie Hall** Tel: (212) 247 7800
☐ Daniel Barenboim: piano recital; 8pm; Mar 6
☐ Vienna Philharmonic Orchestra: Sir Georg Solti conducts Stravinsky and Tchaikovsky; 8pm; Mar 4
☐ Vienne Philharmonic Orchestra: Sir Georg Solti *conducts Beethoven and* Stravinsky; 8pm; Mar 5 (2pm)

GALLERIES

● **Guggenheim** Tel: (212) 423 3652
☐ Felix Gonzalez-Torres: e *comprehensive survey* of the contemporary artist's multi-media art form; to May 10
☐ Rose Bleckner: retrospective of the American artist consisting of approximately 75 paintings and works on paper; to May 14

● **Guggenheim Soho** Tel: (212) 423 3652
Antoni Taples: 55 of the leading Spanish artist's most important works dating from 1946 to 1991; to Apr 23

● **Museum of Modern Art** Tel: (212) 708 9480
Kandinsky: Compositions: exhibition featuring approximately 40 works including seven of the 'Composition' paintings; *to* Apr 25

● ***Whitney Museum***
Franz Kline: Black and White 1950-61: major Abstract Expressionist works from the last decada of the artist's life; to Mar 12

OPERA/BALLET

● **Metropolitan** Tal: (212) 362 6000
☐ Der Rosenkavaliar: by Strauss. Produced by Nathaniel Merrill, conducted by James Levine; 7.30pm; Mar 4 (1.30pm), 7, 10
☐ La Bohéme: by Puccini. Produced by *Franco Zeffirelli*, conduted by John Fiore; 8pm; Mar 4, 8, 11
☐ La Traviata: by Verdi. Produced by *Franco Zeffirelli, conducted by John* Fiore; 8pm; Mar 9
☐ Simon Boccanegra: by Verdi. New production directed by Giancarlo del Monaco; 8pm; Mar 6, 11 (1.30pm)

● **New York City Opera** Tel: (212) 307 4100
☐ Carmen: by Bizet. Conducted by Semyon Vakshtein/Joseph Colaneri and produced by Jonathan Eaton. In *French* with English supertitles; 8pm; Mar 5 (1.30pm), 11
☐ *La Rondine: by Puccini.* Conducted by Guido Ajmone-Marsan, produced by Lotfi Mansouri; 8pm; Mar 7, 11
☐ Madama Butterfly: by Puccini. *Conducted by Guido Ajmone-Marsan* and produced by Frank Corsaro. In Italian with English supertitles; 8pm; Mar 4, 8
☐ The Marriage of Figaro: by Mozart. Conducted by Scott Bergeson and produced by John Copley. Soloists include Wendy Nielsen and Kathryn Gamberoni; 8pm; Mar 4 (1.30pm), 10

THEATRE

● **Joseph Papp Public Theatre** Tel: (212) 598 7150
The Merchant of Venice: by Shakespeare. Directed by Barry Edelatein, *and with Ron Lalbman* pleying Shylock; 8pm; (Not Mon)

● **Roundabout Theatre Company** Tel: (212) 869 8400
The School for Husbands/The Imaginary Cuckold: by Mollère. Michael Langham directs Richard Wilbur's translation and stars Brian *Bedford*; 8pm; *to Mar 12 (Not Mon)*

● **Variety Arts** Tel: (212) 239 6200
Death Defying Acts: three one ect *plays by Woody Allen, David Mamet* and Elaine May; 8pm; from Mar 6 (Not Mon)

■ PARIS

CONCERTS

● **Champs Elysées** Tel: (1) 47 23 37 21/47 20 08 24
☐ *Jennifer Larmore*: the mezzo-soprano with the Orchestral Ensemble of Paris. Jonathan Darlington conducts Rossini and Mozart; 8.30pm; Mar 8
☐ London Symphony Orchestra: with violinist *Anne-Sophie Mutter* and soprano Laura Alkin. Pierre Boulez *conducts* Berg and Stravinsky; 8.30pm; Mar 11
☐ National Orchestra of France: with *pianist Maria Joao Pires. Jerzy* Semkow conducts Mozart and Chopin; 8pm; Mar 9

GALLERIES

● **Galerie Schmit** Tel: (1) 42 60 36 36
From Delacroix to Matisse: exhibition *including the works of Delacroix,* Matisse, Picasso and Degas; to Apr 13

● **Georges-Pompidou** Tel: (1) 42 77 12 33
Brassai: works by the French photographer; to Apr 3 (Not Sun)

● **Musée Cernuschi** Tel: (1) 45 63 50 75
Japan, Tastes and Tranquility: The Japanese Tea Ceremony: the historical and philosophical development of the Japanese ceremony; *to May 14 (Not Sun)*

● **Musée d'Art Moderne, Ville de Paris** Tel: (1) 47 23 81 27
André Derain: 350 works spanning his entire career; to Mar 19 (Not Mon)

● **Musée d'Orsay** Tel: (1) 45 49 11 11
James McNeill Whistler: exhibition of works; to Apr 30

OPERA/BALLET

● **Opéra National de Paris, Bastille** Tel: (1) 47 42 57 50
☐ La Damnation de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists include Béatrice *Uria-Monzon as Marguerita, and* Thomas Moser/Gary Lakes as Faust; 7.30pm; Mar 5 (3pm)
☐ Magnificat: music by Bach, choreography by John Neumeier. *Gunther/Rainer Muhlbach directs this* production presented by tha Ballet of the National Opera of Paris; 7.30pm; Mar 8, 9, 10, 11

■ TURIN

OPERA/BALLET

Teatro Regio Tel: 011 8815 241
Simon Boccanegra: by Verdi. Conducted by Daniel Oren, directed by Sylvano Bussotti; 8.30pm; Mar 5 (3pm), 7, 8, 9, 11

■ WASHINGTON

CONCERTS

● **Kennedy Centre** Tel: (202) 467 4600
☐ Ballet National de Marseille: choreographer Roland Petit presents his 1991 ballet based on the style of several Charlie Chaplin films; 7.30pm; from Mar 7 to Mar 12
☐ Kiri Te Kanawa: with pianist Martin Katz. Works by Mozart, Strauss and Berlioz; 7pm; *Mar 6*
☐ National Symphony Orchestra: with cellist Carter Brey. Hugh Wolff *conducts Mozart, Bartók and Dvořák*; 7.30pm; Mar 4
☐ National Symphony Orchestra: with soprano Jayna West, tenor Joseph Harris and baritone Kevin McMillan. *James Paul conducts Hugo* Alfven, Delius and Orff; 8.30pm; Mar 9, 10 (1.30pm), 11
☐ Washington Chamber Symphony: with cellist Evelyn Elsing. Stephan *Simon conducts Morton Gould,* Vivaldi and Schubert; 7.30pm; Mar 10, 11

GALLERIES

● **Corcoran** Tel: (202) 638 3211
Passionate Visions of the American South: Self Taught Artists from 1940 to the Present. Paintings and sculpture by 80 artists influenced by *their communities*, traditions and using materials readily available to them; from Mar 4 to May 7

● **National Gallery** Tel: (202) 737 4215
☐ Claes Oldenburg: an anthology containing drawings, sculptures and constructions by the artist over the last 25 years; to May 7
☐ Italian Renaissance Architecture: Brunelleschi, Sangallo, Michelangelo, the Cathedrals of Florence, Pavia and St. Peter's; *to Mar 19*
☐ The Glory of Venice: exhibition presented by the National Gallery of Art and the Royal Academy of Arts, London containing works by 18th *century Venetian artists. Included are* paintings, drawings, pastels, prints, illustrated books and sculptures by artists such as Canaletto, Piranesi, Piazzetta and Guardi; to Apr 23

■ **Phillips Collection** Tel: (202) 387 2151
The William S. Paley Collection: includes 73 paintings, sculptures and drawings by such artists as Cezanne, Matisse, Picasso, Degas and Gauguin; to Mar 26

● **Sackler** Tel: (202) 357 2700
Paintings from Shiraz: the arts of the Persian book created in the city of Shiraz during the 14th-16th century; to Sep 24

OPERA/BALLET

● **Washington Opera** Tel: (202) 418 7800
Tiefland: by *Eugen d'Albert. Roman* Terleckyj directs a new production by designer Zack Brown. In German with English surtitles; 8pm; Mar 6 *(7pm)*

THEATRE

● **Arena Stage Kreeger Theater** Tel: (202) 554 9066
Hedda Gabler: Henrik Ibsen's drama, directed by Liviu Ciulei and translated by *Christopher Hampton*; 7.30pm; to Mar 19 (Not Mon)

● **Horizon's** Tel: (703) 519 9123
Kindertransport: by Diane Samuels. Jane Latman directs. Play about the repression of memories in Nazi Germany and the survival of a woman and her relationships; 8pm; to Apr 4

● **Studio Theater** Tel: (202) 332 3300
Rhinoceros: by Ionesco. Joy Zinoman directs the Absurdist's comedy warning of the dangers of conformity; 8pm; from Mar 8 to Apr 9 (Not Mon)

CHESS

Britain's chess masters have touched on a winning streak in recent overseas tournaments. Hodgson and Gallagher in Berne, and Emms in Copenhagen, shared first prize; Hebden in Dacca, and Sadler in Cannes, won outright.

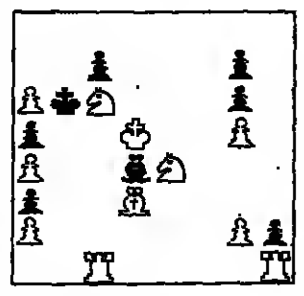
Matthew Sadler's success in France was the most significant. Britain's youngest grandmaster, aged 20, scored 7/9, half a point ahead of six ex-Soviets and with 14 other GMs among the also-rans.

This impressive result puts Sadler close to a 2,600 super-GM international rating and to e place in the world top 50. Here his resilience wins through even after his opponent queens a pawn (S Pedersen, Denmark, White; M Sadler, Black; Cannes 1995).

1 d4 d5 2 c4 dxc4 3 Nf3 a6 4 e4 b5 5 a4 Bb7 6 Nc3 b4 7 Bxc4 e6 Not bxc3? 8 Qb3 with the double threat 9 Qxb7 and 9 Bxf7+ with 10 Qe6 mate. 8 Qb3 Nc6 9 a5 Nxd4 10 Nxd4 Qxd4 11 Be3 Qd7 12 f3 Bd6 13 Na4 Qe7 14 e5 Bxe5 15 Nc5 Bc8 16 Qa4+ Bd7 17 Qc2 Nf6 18 Bxa6 Nd5 19 Bf2 Rxa6! White gambitted his central pawns to establish a passed pawn on the flank, but this counter-sacrifice puts Sadler's pieces in control. 20 Nxa6 Bb5 21 Nc5 0-0 22 e6 Qg5 23 a7 Ra8 24 Ra5 Ne3! 25 Qe4 Nxg2+ 26 Kd1 Rd8+ 27 Bd4 Bxd4! 28 a8Q Bxc5+ 29 Kc2 Qd2+ 30 Kb3 c5! Calm play. Black's bishops and knight are superior to White's queen and rook. If 31 Qb7 Rd3+ 32 Ka2 b3+ wins. 31 Rha1 Bf8 32 Qxd8 Qxd8 33 Ra8 Qd2 34 Rb8 Nf4 35 Raa8 Qd1+ 36 Ka2 b3 mate.

■ The Friends of Chess have been in involved for 25 years in UK chess achievements. All income is assigned to grants to young players and tournaments. The £15 subscription is among the best ways to promote British successes. For details and the annual report, write to 51 Kenilworth Road, St Leonards on Sea, East Sussex TN38 0JL.

No 1064



White mates in three moves at latest, against any defence (by A. Kraemer, 1942).

Solution, Page XIV

Leonard Barden

BRIDGE

Today's hand comes from rubber bridge. It contains no exotic technique, but it shows, when all seems lost, that there is a way of salvation. Let us study the indifferent Finesse:

	N	
	♠ 9 5 3 ♥ A 10 8 6 4 ♦ K Q 6 4 ♣ 7	
W		**E**
♠ J 8 4 ♥ 5 3 ♦ J 10 9 2 ♣ K Q J 4		♠ Q ♥ K J 7 2 ♦ 7 ♣ A 10 9 6 5 3 2
	S	
	♠ A K 10 7 6 2 ♥ Q 9 ♦ A 8 5 3 ♣ 8	

With East-West vulnerable I dealt in the South seat, and opened the bidding with one spade, my partner replied with two hearts, I rebid two spades, and North's raise to four spades closed the auction.

West opened with the king of clubs, East overtook with the ace, and returned the seven of diamonds – presumably a singleton. This was covered by eight, nine and queen. When I led the spade three from dummy, East produced the queen. If this was e true card, I was facing a loser in each suit.

Then I woke up. Taking the spade queen with my king, I cashed the ace, East discarding a club. Now I played the queen of hearts – the indifferent Finesse.

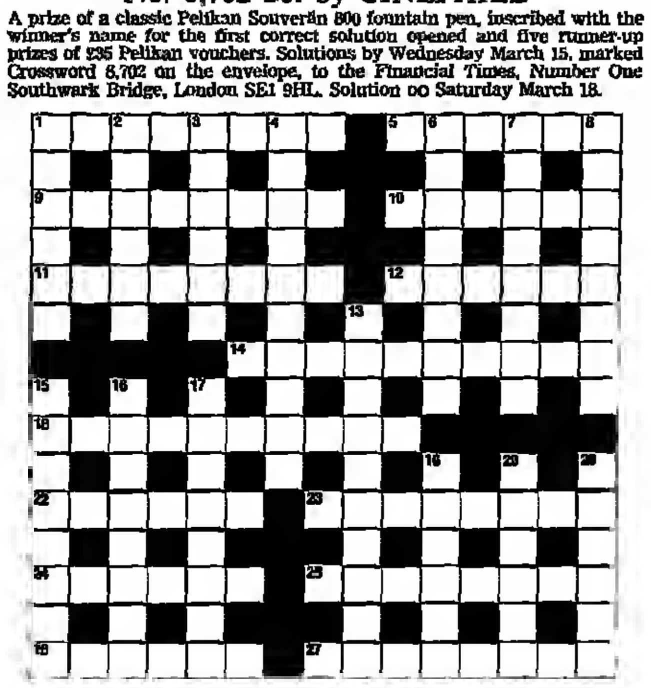
I was indifferent whether it won or lost. If West covers, dummy's ace wins, and I concede a heart to the knave, setting up a trick on which to discard my losing diamond. West did not cover, and East won. No problem. The contract was secure. East was endplayed. A heart return would run into my tenace; a club would concede the ruff discard; e diamond, if he had one, would mean that the suit was breaking.

E.P.C. Cotter

CROSSWORD

No. 8,702 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday March 15, marked Crossword 8,702 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday March 18.



Name

Address

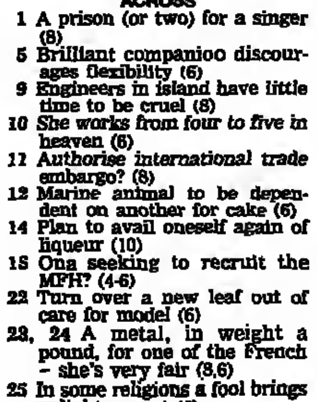
ACROSS

1 A prison (or two) for a singer (8)
5 Brilliant companion discourages flexibility (6)
9 Engineers in island have little time to be cruel (8)
10 She works from four to five in heaven (6)
11 Authorise international trade embargo? (8)
12 Marine animal to be dependent on another for cake (6)
14 Plan to avail oneself again of liqueur (10)
15 One seeking to recruit the MPH? (4-6)
22 Turn over a new leaf out of care for model (6)
23, 24 A metal, in weight a pound, for one of the French – she's very fair (3,6)
25 In some religions a fool brings enlightenment (8)
26 Sign of affection, comfort on ship (6)
27 Trouble for divers, horses etc isn't simultaneous (8)

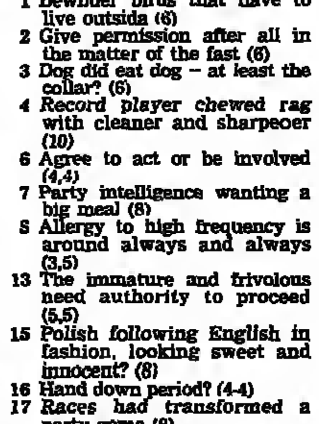
DOWN

1 Bewilder birds that have to live outside (6)
2 Give permission after all in the matter of the fast (6)
3 Dog did eat dog – at least the collar? (6)
4 Record player chewed rag with cleaner and sharpener (10)
6 Agree to act or be involved (4,4)
7 Party intelligence wanting a big meal (8)
8 Allergy to high frequency is around always and always (3,5)
13 The immature and frivolous need authority to proceed (5,5)
15 Polish following English in fashion, looking sweet and innocent? (8)
16 Hand down period? (4-4)
17 Races had transformed a party game (8)
19 One after another on the fiddle? (6)
20 Egg visible to the audience (6)
21 Reparation for what happens at noon (6)

Solution 8,701



Solution 8,690



WINNERS 8,690: P.H. Simpson, Callington, Cornwall; Mrs Hartley, Somerton, Somerset; J.S. Heaton, Ilkley, W. Yorks; Mrs P.G. May, Northolt, Middlesex; A.M. Rowe, Garnswilt, Dyfed; L.B. Woods, Gog, Pantymynyd, Mold, Clwyd.

Peter Aspden

Imran bowls a spiritual bouncer

'Imperious playboy' has become 'ingenuous fundamentalist'

Dressed in collarless grandad shirt, rustic waistcoat and swathed in layers of baggy cream linen, the former Pakistan cricket captain Imran Khan looked, on a BBC news report last week, as if he had stepped straight out of one of the west's trendiest designer stores.

Which just goes to show that one man's ultimate statement of fashion consciousness is another's understated ethnic uniform. For Imran has famously turned his back on western material values to embrace Islam and the troubles of his native country. His new mode of dress heralds a return to his roots rather than a feverish study of the men's glossies. What further proof do we need that appearances, in our trans-global, image-fixated age, have become more deceptive than ever?

Imran's outfit might be perfectly judged for a cool night out in London, but that is by all accounts the last thing on his mind. He has devoted himself to raising money for a cancer hospital in memory of his mother and has, along the way, dispensed more than the odd swipe against the western road to ruin and decadence.

Now one cannot help noticing a decidedly rancorous note in the reporting of Imran's defection from the fold. Here is a man – a proud, handsome, superbly athletic man, in sharp contra-distinction to many of England's slightly slobbish sporting icons – who has enjoyed pretty much all we in the west have to offer: an Oxford education, a generous supply of debutante escorts, glamour, fame.

He has, all along the way, remained slightly sniffy about the fruits of his success. The sniffier he became, the more those envy-inspired adjectives followed him: arrogant, aloof, a Brown Sahib trying to have it both ways. Even his undoubted talent for cricket became tainted when the propriety of some of his compatriots' bowling was brought into question and Imran confessed that, yes, he had once "tampered" with a ball.

Today, he announces that he is not in the least interested in cricket, nor in those languid nights in Tramps and Annabelle's. He spends his time collecting donations (frequently from those least able to afford them) and pronouncing – in Urdu – that Pakistan should drop its inferiority complex towards the west and take its religious legacy more seriously. He has, in other words, completed the transition from "imperious playboy" to "ingenuous fundamentalist". And does the west not like that.

For in truth it cannot quite handle this disdainful conversion. The dismissal of all those values it holds dear strikes at the core of its identity. It finds it difficult to accept that Imran Khan, one of the great cricket all-rounders, should now find the sport which made his name a rather silly distraction from real life; we certainly do not like to be reminded that our emphasis in the west on individual wealth and sexy frocks is, well, a little childish.

Yes, Imran Khan has grown up. He is a man in his early 40s, who was devastated by the death of a parent and who wants desperately to become involved in the destiny of his homeland, which is urgently, occasionally tragically, trying to forge a post-colonial identity. The most comfortable way we can describe this seems to be in those screaming "Sybaritic superstud goes in to bat for Allah" headlines which are such a worthy testament to our free press.

As in all the debates concerning "the resurgence of Islam" (as Professor Edward Said, of Columbia University, says, it is actually a struggle inside Islamic countries to define themselves), the west feels a profound unease when asked to address its own lack of spirituality. It secretly suspects that there might actually *be* something in what Imran Khan claims to have found in Pakistan. If you do not believe me, ask yourselves this: why do all our most expensive designer stores sell those baggy, faded, creased materials in subdued, earth tones for more money than a third world village sees in a week? It is a rich irony: the most materialistic of ways of signalling that we too are a little sick of the material ways of our world.

A sport for heroes

From above and behind me came a drum beat of thousands of boots, rhythmically stomping the floor. Like rolls of thunder, the metal advertising hoarding reverberated under the thumping of fists, matching and pacing the ferocity of the onslaught in the ring. They were sounds as stirring as the wail of the bagpipes, leading troops into battle.

I was at the fight last Saturday night. I cheered myself hoarse. I sang my heart out. "Nigel Benn, Nigel Benn, Nigel B-e-e-e-nn, N-i-i-i-I-g-e-l Benn". I joined in the chorus urging him on in his battle against Gerald McClellan: "Ni-gel, Ni-gel, Ni-gel, Ni-gel". And as I left the London Arena, across a floor slippery with spilt beer, I knew I had seen a great fight.

It was not until I got home, still tingling with excitement, that I learnt of Gerald McClellan's condition. Had it been a pub brawl, I wondered, would I and just about everyone else in that impassioned cockpit, have been accessories to acts of grievous bodily harm?

Each death or serious injury in the ring distresses me. But though I understand the call to ban the sport, I do not support it.

To this day, boxing engages me like no other sport. Boxers are braver and train harder, are more magnanimous in victory and gracious in defeat, than other athletes. But while I seldom miss a boxing match on television, it has been more than 30 years since I was last at a fight. Then I was a young schoolboy in the ring in Gwelo. On Saturday I was at the ringside in London Arena, but back in Gwelo.

I used to be almost paralysed by fear as I awaited my turn to fight, wondering whether my legs would carry me between the ropes and on to the canvas. A teacher called Bernard Goggin was my trainer. I can see him now, a rather tubby

> Had it been a pub brawl, would I have been accessory to grievous bodily harm?

man, with a ginger moustache, crouched in front of me, his hand encased in the round, flat glove he held as a target for my punches. I remember him as a gentle man, who taught boxing as the art of self defence. A discipline, designed to contain the aggression in our souls, and if necessary direct it.

The worn leather gloves I wore had a patina of sweat, and grime, and blood, and smelt of boxing. As they were pulled over my rigid, outstretched fingers, fear and excitement gathered in the pit of my stomach, spreading through my skinny frame to the tips of my fingers. I flexed and then slowly curled them, a natural, instinctive movement, that turns fingers into a fist, that turns an arm into a club.

Once in the ring, adrenalin took over. Then came the thrill of weaving, bobbing, evading a flying fist, countering with a punch, as satisfying as a sweetly timed cover drive.

On Saturday the satisfaction was vicarious. I cheered as Benn retaliated, jolting McClellan time and again, and the drumming, stomping crowd knew it was a gladiatorial contest, the like of which few had ever seen. It ended tragically. But it was still a great fight. It had a raw honesty at a time when sport seems one gigantic fix, players allegedly throwing games, destroying belief in fairy-tale victories, like Zimbabwe's Test win over Pakistan.

It was not a fight in which has-beens or nobodies, after fake scuffles and scripted insults at weigh-ins, provide fist-fodder for spurious champions. This was the real thing.

Benn could have stayed down mid-way through the first round, when he went crashing out of the ring. But ringcraft, training, and guts pulled him through.

It was a psychological battle, not just brawn and biceps, fought as much in the mind as in the heart. It was during the sixth or seventh round that McClellan lost his belief in his invincibility. He could still have won, but his confidence had gone.

Benn's strength came, I suspect, from self-knowledge. He has been defeated, once by Michael Watson, who watched the fight from his wheelchair. Once he was not so much defeated, as deprived of victory, in a fight with Chris Eubank, the man whose punches left Watson on the edge of death.

Character was on display, not just brute strength. On Saturday night, boxing had an integrity that survives the ending, which transcends the brutality, and turned it into a heroic contest.

My atavistic responses, I hope, give me an insight into an innate propensity for violence that I suspect we all share. This reinforces, rather than diminishes, my repugnance for war, fought by the young for the old, sanitised by the state, and sanctified by the church. But I still cannot get out of my mind the thought that hit me when I learnt that McClellan was fighting for his life. In my stomping and cheering, roaring and applauding, was I complicit in a tragedy?

Michael Holman

Sir Andrew on the $1bn boulevard

Antony Thorncroft talks to the composer about his obsessions

Nothing can change: whatever happens, Sir Andrew holds on to his creative rights cp,6 Reuter

"Don't ask me any financial questions. I don't get involved with the business. I haven't even got an office at the Really Useful Group." Thus Sir Andrew Lloyd Webber glides smoothly over his 70 per cent holding in the RUG, a £500m company which earns most of its money from his talent for a tune.

Sir Andrew had stopped briefly in Germany last week to bless his latest venture – the first foreign language production of *Sunset Boulevard* – and to meet the German press. It was a gentle encounter: the media treated the UK's most commercially successful composer, with respect; Sir Andrew, shy and circumspect, gratefully fled after the most cursory of interviews, leaving it for his money men to fill in the detail.

Sunset Boulevard is set to open on December 1 in a theatre, strategically built alongside a conference hotel, near an autobahn on the outskirts of Wiesbaden. This seems to be the future for commercial theatre in Germany – out-of-town fun centres to which people drive for up to four hours, (which can mean more than 300 miles on Germany's unrestrained highways), for a show, and perhaps an overnight stay.

The new production will cost the RUG more than £6m to mount and, unlike previous Lloyd Webber shows in Germany, it is the sole producer, taking 80 per cent of the box office, with 20 per cent going to the German interests which are building the Rhine-Main theatre and then leasing it to the RUG for the next decade.

With top ticket prices at around £80, this production of *Sunset Boulevard*, which at Sir Andrew's insistence will be identical to the London and Broadway versions, seems almost certain to open another conduit of cash for the RUG. After years in which awareness of the modern musical was confined to *My Fair Lady*, the Germans have suddenly learnt to sing along with Andrew. Already, Lloyd Webber shows in Hamburg and Bochum have grossed £1bn at the box office. But these were joint productions, limiting the RUG to 25 per cent of the take. Now most of the revenue will stay with the talent.

The expansion is continuing elsewhere. In October, *Phantom of the Opera* opens in Basle in another specially converted theatre which will be run by the RUG. Then the management will eye Spain and perhaps Italy: France is seen as alien territory for British musicals, after the failure in Paris of *Les Misérables*. The RUG may tell Sir Andrew about its latest ventures, (although he knew nothing about Basle before it was settled); maybe not. He will be left free to do what he does best, create the music, and keep a beady eye on the shows on the road.

His next venture is just about completed: the music for a new version of *Whistle Down the Wind*, a British film of the 1960s. This week Sir Andrew sped by private jet to Hollywood to do the deal. "It is an act of faith. There has not been a successful film musical since *Mary Poppins* in 1965. There are no obvious directors and specialists around. We are actually 'whistling down the wind' to some extent."

This very English story of two young children who think they have discovered Jesus in a Yorkshire barn will be relocated to Louisiana, and will be "quite punchy, to put it mildly". The lyrics are by Jim Steinman, best known as writer for the rock heavyweight Meatloaf. They offer Sir Andrew a return to the rock and roll roots he flirted with lightly in *Jesus Christ Superstar*, a great contrast to the swirling classically romantic melodies he has favoured in his recent shows. "It need not be expensive. It will be a low budget film, but with big stars."

Films are very much on Sir Andrew's mind. While in Hollywood he will confirm, after years of negotiation, the go ahead for the animated screen version of *Cats*, to be directed by Steven Spielberg. And another perennial headline snatcher, the film version of *Evita*, is finally on the blocks, under Alan Parker's direction, although who will play Eva Peron is still unconfirmed: Madonna is telling everyone the part is hers while Michelle Pfeiffer reportedly resigned before being offered the role. All this hardly worries Sir Andrew: he sold the film rights years ago.

He would not do so these days. If there is one thing that gets Sir Andrew, not temperamentally a placid person, really excited it is changes to his creative vision. He will return to Wiesbaden to control the casting and staging of *Sunset*; he is constantly popping into his shows to make sure there is no slacking. "I tend to interfere," he admits ingenuously. He famously closed *Sunset Boulevard* for a month, at a cost of £1m, because it was not quite working. Next week *Cats* is withdrawn for a week from the New London theatre to tweak the choreography into better shape.

PolyGram UK, which owns the other 30 per cent of the RUG, has an option to buy a majority of the company in 2003, but even if it does so it will not wrest creative control from Sir Andrew. His contract with the RUG providentially expires the same year, and whatever happens he holds on to his creative rights. Even after his death he has ensured that his estate maintains the tradition: "Nothing can change." If *Sunset Boulevard* is revived in 2095, a late 21st century audience will have the strange experience of seeing the Hollywood of the 1930s through the eyes of the 1990s.

Fastidiousness about his work lies close to Sir Andrew's heart: it is only edged out by his love of art. He might be reluctant to talk about his business interests, and his wealth, but if the conversation turns to art he moves up a gear or two. As a teenager at Westminster School, Sir Andrew fell in love with art and architecture, most notably Victorian art, then still wildly unfashionable. "I remember seeing Leighton's 'Flaming June' on the pavement for sale for £50, with the frame priced at £60. I asked my grandmother for a loan but she said no." Today "Flaming June" is in a museum in Puerto Rico but could probably be bought for around £3m. The price gives even Sir Andrew pause.

Victorian art, especially by the Pre-Raphaelites, is still Sir Andrew's first love and he owns the finest collection in the UK. His country home at Sydmonton Court, next to Watership Down, is crammed with some of the most famous paintings of the 19th century: "Silver and Gold" by Arthur Hughes; Sir Edward Millais' "The Proscribed Royalist"; one of Tissot's portraits of his mistress Kathleen Newton; Lord Leighton's "Dante in Exile", more than a dozen works by Burne-Jones; and more. He recently bought Canaletto's "View of Whitehall" for £10m.

Whenever a top Victorian painting sells at auction Sir Andrew is credited with buying it – much to his annoyance. "The Victorian market is overblown now. The other week rubbish paintings sold in New York for incredible prices, including an indifferent Tissot for $3m. Only if something very interesting comes up in Victorian art would I bid."

His interest is switching to other, less competitive, areas. The visit to Wiesbaden was made special for Sir Andrew by the chance to see in a private home one of the finest collections of Symbolist art in Germany. He is reluctant to alert the auction houses to his next collecting passion but, since he is not secretive about his art, any change in taste will soon be known.

For while Sir Andrew wants to hold on to his music after his death he is less possessive about his art. "I don't want my children to be lumbered with all the pictures." Instead the best are going into a foundation which will be housed in a yet-to-be-built museum, a solid immortal memorial. So far the Foundation owns just four works – the Canaletto, Richard Dadd's "Contradiction", a Holman Hunt, and some Burne-Jones tapestries.

Of course, the future of the Foundation depends upon the one thing that Sir Andrew professes, with some justification, to be quite ignorant about: the financial prospects of the Really Useful Group, whose executives invariably phone after every interview Sir Andrew gives, to check that he has his facts right.

Five years ago Patrick McKenna came in as chief executive. Out went peripheral publishing, video and record companies, and a dependency on licensing agreements; in came a stress on productions and live entertainment, a desire to control the works. So the Adelphi Theatre was acquired to house *Sunset Boulevard*, and a hunt for venues large enough to present Lloyd Webber across the world is in train. Soon the RUG will announce its next big venture, a multi-million pound musical, but not by Sir Andrew.

Such diversification hardly disguises the fact that the 3,000 RUG staff depend for their livelihood on a man whose affinity with the musical tastes of the masses wins him little critical acclaim in his own country, but gives him an awed status elsewhere.

As They Say In Europe / **James Morgan**

A very British collapse

How instructive the Barings affair has been. I picked up a copy of *Die Welt* on Monday, and the Barings story was buried on page 16. *Libération* did the same. *Corriere della Sera* got Barings on the front by tricking it out with the Queen and a picture of the royal family.

By Tuesday, Barings was the lead in Brussels, Paris, Vienna and heaven knows where. All those papers which had missed the significance of the debacle the day before had to use market reaction as the peg on which to hang what was obviously an amazing story. But market reaction was its least interesting component.

At its heart was the tale of how one Nick Leeson had wiped out an ancient financial institution. As the normally phlegmatic *Handelsblatt*, one of the few papers to cover the story properly, observed: "Unbelievable: A 28-year old trader in Singapore did it, brought down the 233-year old merchant bank Barings in less than three weeks."

The point about this affair is nothing to do with the Nikkei, the FTSE or the pound. It is a fable for our times, interpreted by each nation differently according to its own history and beliefs.

The Swiss know more than anyone about what can go wrong in banks and were quite forbearing. The *Journal de Genève* said: "It is one of the most difficult challenges facing business management today: how to control people who deal in the increasingly complex world of derivatives, without stifling the freedom and creativity which they need to make money for their employers."

The Dutch took a similar line and argued that tight control and supervision are almost impossible in a frontierless electronic world.

The once-communist *Leipziger Volkszeitung* echoed a more widespread view: "There's little sign of sense and patience, you play big whatever it costs."

In Paris, *Libération* worried about Barings' employees: "Speculation turns on Russian roulette, an entertainment whose effects, however, are not limited to the unlucky player. First balance sheet: 4,000 victims."

For the French the affair was a godsend in the stuttering campaign against Anglo-Saxon capitalism, deregulation and free markets. "How can one describe this characteristic example of the perversion of a system which permits everything?" asked a provincial paper.

Others wrote of the "speculative euphoria of reckless traders" while the financial papers lamented the impotence of central banks who ought really to be in charge.

The story of Barings' collapse emphasises the distinctive nature of the English way. The Watford Wunderkind, Leeson, is a very English creation. London is full of 20th century Dick Whittingtons who in fact found the streets paved with gold. You will never read a novel of a hero of the trading floor set in Paris or Frankfurt.

In London, uncritical glossy publications seek out such figures, turning dreary dealing into spectacular battles in which the fashionable demi-gods emerge triumphant. Their enormous rewards are all that is needed as evidence of their virtue. It is not necessary to take the French view that all such activity is morally worthless and intellectually vacuous to believe that something somewhere is wrong.

In actual fact all this arcane dealing serves a purpose. Among other things it keeps aggressive young men off the street and provides more profitable jobs than do schools or hospitals.

It also happens to be something that suits the English, notwithstanding this week's events. After all, no other people would have regarded the sale of its last remaining car manufacturer to foreigners as a national triumph. And in England the undeserving young and rich are widely admired. On the continent, nobody under 40 is allowed be rich.

The operations of the derivatives markets provide the ideal English pastime. They involve complex abstract analysis, like crossword puzzles. They are meant to offer insurance but have blossomed as up-market betting shops that supply unlimited gains and losses, like Lloyd's of London. They satisfy the English love of clubs and insiders' jargon.

And now the derivatives market has given us the kind of gigantic cock-up that confirms the English "small boy" theory of history, the catastrophe that's a bit of a laugh. Just William is at it again.

Some 18 months ago, at a press conference given by a German bank, the question of derivative regulation was raised. The answer included an observation that could never have occurred to an Anglo-Saxon, maybe only a German could have conceived of such a simile. "A derivative is like a razor. You can use it to shave yourself and make yourself attractive to your girlfriend. You can slit her throat with it. Or you can use it to commit suicide."

That's the trouble with these continentals; no sense of fun.

■ *James Morgan is economics correspondent of the BBC World Service.*

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WEEKEND INVESTOR

■ Results due next week

Company	Sector	Announcement due	Dividend (p)* Last year Interim	Final	This year Interim
FINAL DIVIDENDS					
ASW Holdings	Eng	Monday	3.0	3.0	3.0
Arjo Wiggins	PP&P	Thursday	2.85	3.85	2.85
BAT Industries	Tob	Wednesday	7.9	11.0	8.5
BBA Group	EngV	Monday	2.29	5.25	1.5
BTR	Dvis	Thursday	4.95	7.3	5.2
Baltic	OthFn	Tuesday	0.5	1.0	1.0
Barclays	BnkR	Tuesday	6.5	7.15	8.0
Barr & Wallace Arnold	L&H	Wednesday	1.5	2.4	-
Beta Global Emerging Market	InTr	Tuesday	-	-	-
Bluebird Toys	L&H	Wednesday	-	4.0	2.0
Brandon Hire	B&C	Wednesday	-	1.5	-
Brent Intl	Chem	Tuesday	1.8	2.4	1.8
British Polythene Industries	PP&P	Monday	3.75	7.75	4.5
British Vita	Chem	Monday	3.65	3.75	3.75
Bunzl?	Eng	Monday	1.65	0.85	1.0
CRH	BdMa	Tuesday	-	-	-
Cadbury Schweppes	FdMa	Wednesday	3.6	10.8	4.5
Calderburn	OtSv	Wednesday	2.8	4.9	2.9
Canadian Pizza	FdMa	Tuesday	-	3.6	2.4
Cape	BdMa	Wednesday	3.0	7.75	3.0
Cementone	Chem	Monday	1.5	1.2	0.4
Christies International	RtGn	Thursday	0.5	1.5	0.5
Commercial Union	Ins	Wednesday	15.1	9.75	10.25
Clarke (T)	B&C	Thursday	1.28	-	1.28
Cookson Group	Dvis	Wednesday	3.0	3.3	3.2
Courtaulds Textiles	Text	Thursday	4.7	9.5	4.8
Exco	OthFn	Friday	-	-	3.0
Expamet Intl	Eng	Friday	1.25	1.25	1.35
Foreign & Colonial Inv Trust	InTr	Thursday	0.575	1.185	0.6
Fisons	Pharm	Tuesday	3.3	1.0	1.7
GKN	EngV	Thursday	8.0	12.5	8.0
Gartmore Emerging Pacific	InTr	Friday	-	0.17	-
Gestetner Holdings	E&EE	Thursday	1.8	1.2	1.2
Gibbs & Dandy	BdMa	Wednesday	1.8	1.5	1.2
Group Development Capital Tst	InTr	Friday	-	0.33	-
Hambro Countrywide	Prop	Wednesday	0.5	0.25	-
Hillsdown	FdMa	Thursday	2.2	6.6	2.2
IMI	Eng	Thursday	4.2	5.8	4.4
Independent Insurance	Ins	Tuesday	3.5	4.75	4.0
INSTEM	SpSv	Thursday	1.3	1.8	1.4
Intrum Justitia	OthFn	Monday	-	-	-
Invensk?	PP&P	Monday	-	3.5	1.84
Irish Permanent	BnkR	Tuesday	-	-	-
Kalon Group	Chem	Tuesday	1.3	2.9	1.5
Kerry Group	FdMa	Tuesday	-	-	-
Ladbroke Group	L&H	Wednesday	4.92	1.08	2.4
Laporte	Chem	Wednesday	7.4	13.3	7.9
Latin American Inv Trust	InCo	Friday	-	-	-
Litho Supplies	Dist	Thursday	-	0.7	-
Lloyds Smaller Co's Inv Trust	InTr	Thursday	1.75	-	1.75
MAID	Med	Tuesday	-	-	-
M&G Income Investment Trust	InTr	Monday	-	-	-
M&G Recovery Inv Trust Inc	InTr	Monday	-	-	-
MTL Instrument Group	E&EE	Thursday	1.7	2.4	-
Mackie International	Eng	Monday	-	-	-
Metal Bulletin	Med	Monday	2.9	7.1	4.0
Microvitec	E&EE	Tuesday	-	-	-
More O'Ferrall	Med	Wednesday	3.2	10.0	3.2
New Guernsey Securities Trust	OthFn	Thursday	-	1.0	-
North Midland Construction	B&C	Wednesday	0.4	-	0.2
Parity	SpSv	Tuesday	-	-	0.75
Parkes Group	Dist	Tuesday	-	-	2.0
Pentland Group	Text	Thursday	1.18	1.64	1.25
Persimmon	B&C	Friday	2.8	6.15	3.0
Persona Group	Dist	Friday	-	-	0.68
Quarto Group	Med	Thursday	2.0	-	2.0
RTZ Corp	Extn	Wednesday	13.5	7.0	9.0
Ralyon Group	BasG	Monday	1.9	3.3	2.1
Rentokil Group	SpSv	Tuesday	0.84	2.01	1.01
Rolls Royce	Eng	Thursday	2.0	3.0	2.0
Rolls Royce Power Eng	n/a	Thursday	-	-	-
Roxboro Group	E&EE	Wednesday	-	-	0.5
SIG	BdMa	Wednesday	1.8	3.6	2.0
Select Appointments	SpSv	Monday	-	-	-
Sema Group	SpSv	Wednesday	1.2	1.9	1.8
Sedt?	PP&P	Friday	-	-	-
Smith & Nephew	Hlth	Monday	1.89	3.02	2.02
Standard Chartered	BnkR	Wednesday	1.875	4.125	2.25
Suter	Dvis	Monday	3.4	5.8	3.5
TI Group	Eng	Tuesday	3.85	7.4	4.05
T&N	EngV	Wednesday	10.85	-	7.5
Telemetrix	E&EE	Thursday	-	1.0	-
Thornton Pan-European Inv Tst	InTr	Friday	-	1.0	0.3
Trade Indemnity Group	Ins	Tuesday	-	0.5	0.4
Transport Development Group	Trns	Tuesday	3.0	6.5	3.0
Turnpike Group	Eng	Monday	-	-	-
USDC Investment Trust	InTr	Monday	1.25	3.25	1.25
Victaulic	Eng	Wednesday	2.5	5.6	2.6
WSP	SpSv	Monday	0.9	0.9	1.0
Waste Recycling Group	OtSv	Wednesday	-	-	-
INTERIM DIVIDENDS					
BZW Convertible Inv Trust	InTr	Tuesday♦	1.5	3.3	1.5
Baring Emerging Europe	InTr	Thursday	-	-	-
Beazer Homes	B&C	Wednesday	-	1.8	-
British Biotech	Pharm	Wednesday★	-	-	-
Close Brothers Group	BnkM	Monday	-	-	-
Cornwell Parker A	HseG	Thursday	1.7	4.8	-
Fleming High Income Inv Trust	InTr	Tuesday★	1.45	1.45	1.1
Hays	SpSv	Wednesday	1.15	4.15	-
Learmonth & Burchett	SpSv	Monday★	-	0.75	-
Lewis (John)	n/a	Thursday	-	-	-
Lloyds Chemists	RtGn	Wednesday	1.45	6.8	-
Logica	SpSv	Thursday	1.25	2.75	-
Macklow (A&J) Group	Prop	Thursday	2.865	3.235	-
New Throgmorton	InTr	Wednesday★	-	-	-
Perpetual Japanese	InTr	Tuesday	-	-	-
Polypipe	BdMa	Tuesday	0.71	1.50	-
Raine	B&C	Thursday	2.0	1.0	-
Rodwell?	B&C	Monday	-	1.8	-
SWP Group	BdMa	Tuesday	-	0.2	-
Scottish Asian Investment Co	InCo	Wednesday	-	-	-
Walker (Thomas)	Eng	Friday	0.18	0.5	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about six weeks after the board meeting to approve preliminary results. ‡‡ 1st quarterly. ♦ 2nd quarterly. ★ 3rd quarterly. Assoc. Brit. Ports: incorrect dividend information was published Feb 25/26. Correct figures are, last year interim 1.75, last year final 2.9, this year interim 2.0.

■ Last week's preliminary results

Company	Sector	Year to	Pre-tax profit (£000)	Earnings* per share (p)	Dividends* per share (p)
Abbey National	BnkB	Dec	932,000 (704,000)	46.5 (29.7)	17.75 (14.0)
Admiral	SpSv	Dec	7,720 (4,610)	45.2 (27.6)	8.8 (6.3)
Associated Brit Ports	Trns	Dec	80,300 (62,100)	16.4 (12.8)	5.5 (4.85)
BICC	E&EE	Dec	131,000 (102,000)	18.6 (15.4)	14.6 (13.25)
BWD Securities	OthFn	Nov	3,010 (3,080)	10.4 (11.1)	4.2 (4.0)
Baillie Gifford Shin Nippon	InTr	Jan†	130.9 (199.3)	- (-)	- (-)
Bilam (J)	Eng	Dec	240 L (308)	- (16.0)	5.3 (5.3)
[illegible]	BdMa	Oct	25 L (1,530)	6.08 (8.2)	- (-)
Boddington	Brew	Jan	30,300 (41,200)	19.5 (20.0)	8.84 (8.03)
[illegible]	Eng	Dec	888 (544)	31.35 (23.25)	8.8 (8.25)
British Aerospace	Eng	Dec	211,000 (257,000L)	30.9 (-)	10.0 (8.3)
Burford Holdings	Prop	Dec	14,200 (9,530)	4.20 (3.27)	1.75 (1.4)
Burlington Group	OthFn	Dec	88 (210)	0.3 (1.3)	0.6 (0.6)
[illegible]	Pharm	Dec	4,150 L (2,388 L)	- (-)	- (-)
Capita Group	SpSv	Dec	7,900 (5,400)	10.5 (7.9)	3.3 (2.55)
[illegible]	BdMa	Dec	980 (870 L)	2.71 (-)	3.8 (3.5)
Corporate Services	SpSv	Dec	3,280 (877)	6.3 (2.73)	2.8 (0.25)
[illegible] Group	Dist	Dec	43,000 (36,000)	23.1 (20.8)	8.125 (7.65)
CrestaCare	Hlth	Dec	6,080 (341)	2.6 (-)	0.79 (0.75)
[illegible] Motors	Dist	Dec	4,470 (1,130)	[illegible] (6.8)	3.75 (2.25)
Domnick Hunter	Eng	Dec	5,620 (4,270)	10.35 (7.14)	4.9 (-)
General Accident	Ins	Dec	425,900 (224,900)	68.1 (50.0)	29.0 (27.5)
[illegible]	BdMa	Dec†	7,960 (4,130)	40.2 (20.9)	8.5 (7.25)
[illegible] Group	BdMa	Dec	18,000 (13,800)	10.3 (8.2)	5.25 (-)
HSBC Holdings	BnkB	Dec	3.17bn (2.58bn)	79.6 (71.13)	27.0 (23.5)
[illegible] Group	Med	Dec	7,300 (6,300)	6.8 (4.8)	2.25 (1.9)
Lasmo	OilE	Dec	92,000 (9,000 L)	2.4 (-)	1.25 (1.3)
Lex Service	Dist	Dec	42,400 (103,500)	28.3 (86.5)	14.0 (12.5)
Life Sciences Intl	Hlth	Dec	28,500 (23,000)	10.6 (9.5)	4.4 (3.9)
McDonnell Information	SpSv	Dec	9,860 (21,200)	4.31 (14.27)	0.25 (-)
Mediterranean Fund	OthT	Dec†	309.58 (321.54)	0.87 (0.78)	0.75 (0.75)
[illegible]	InTr	Dec†	194.94 (-)	1.32 (-)	0.77 (-)
Midland Bank	Bank	Dec	985,000 (644,000)	73.1 (60.7)	- (-)
[illegible]	Dist	Dec	35,800 (11,700)	3.40 (7.18)	7.2 (4)
Millgate	Dist	Nov	540 (665)	1.9 (1.9)	0.6 (-)
Murray International	InTr	Dec†	329.7 (301.9)	13.47 (14.5)	12.8 (11.5)
Paribas French Inv	InTr	Dec†	131.92 (146.85)	1.12 (0.86)	1.0 (1.0)
[illegible]	FdMa	Dec	1,098 L (870 L)	- (-)	- (-)
Pegasus Group	SpSv	Dec	243 (5,920)	12.7 (76.1)	5.0 (5.0)
[illegible] Group	[illegible]	Dec	1,300 (930)	7.15 (4.57)	2.9 (2.6)
Record Holdings	Eng	Dec	2,990 (2,410)	5.1 (4.4)	3.6 (3.6)
[illegible]	[illegible]	Aug	94 L (220 L)	0.02 (0.19)	- (-)
Scottish Eastern Inv	InTr	Jan	88.0 (165.4)	1.57 (1.65)	1.58 (-)
[illegible] Group	SpSv	Dec	12,500 (9,420)	12.8 (9.8)	3.8 (3.8)
Shoprite	RetFd	Oct	4,850 L (5,980)	- (5.64)	2.8 (2.4)
Sleepy Kids	Med	Dec	820 (88)	1.74 (0.33)	- (-)
Sphere Investment Tst	InTr	Dec†	42.81 (54.39)	3.91 (4.33)	3.87 (3.4)
Spring Ram	BdMa	Dec	3,300 (30,400 L)	0.7 (-)	0.5 (0.0)
Stat-Plus Group	SpSv	Dec	3,500 (3,420)	10.8 (10.7)	8.5 (8.5)
Sun Alliance Group	Ins	Dec	305,500 (221,300)	29.7 (22.3)	15.25 (14.25)
Transatlantic Hldgs	LifA	Dec	58,100 (67,800)	15.89 (13.24)	13.2 (12.0)
Vickers	Eng	Dec	44,800 (22,300)	9.8 (8.0)	4.75 (3.0)
WPP	Med	Dec	85,200 (54,400)	6.5 (3.4)	0.75 (0.65)
[illegible] Group	BdMa	Sep	201 L (74 L)	- (-)	- (-)
Wimpey (George)	B&C	Dec	45,100 (25,500)	8.73 (6.81)	5.5 (5.25)
Yorkshire Food Group	FdMa	Dec	5,958 (4,900)	10.28 (9.33)	3.62 (3.3)
Zeneca	Pharm	Dec	650,000 (633,000)	46.8 (50.7)	28.5 (27.5)

■ Last week's interim results

Company	Sector	Half year to	Pre-tax profit (£000)	Interim dividends* per share (p)
Ardagh	n/a	Dec‡	2,580 (2,240)	0.95 (0.78)
BB&EA	B&C	Sep	522 L (902)	2.5 (2.5)
Bolton	Prop	Oct	100 (160)	- (-)
British Data Mngmt	SpSv	Dec	595 (1,790)	1.85 (1.65)
Capital Shopping	n/a	Dec✠	28,100 (-)	5.25 (-)
Chesterton Intl	Prop	Dec	126 (256 L)	1.0 (-)
Community Hospitals	Hlth	Dec	3,220 (2,950)	3.0 (2.8)
Eaglet Investment Tst	InTr	Dec†	103.64 (105.51)	- (-)
Edinburgh Income Tst	InTr	Jan†✠	38.13 (50.7✠)	1.0 (1.0)
Essex Furniture	RtGn	Dec	855 (703)	2.1 (1.8)
Ex-Lands	L&H	Dec	590 (480)	- (-)
Firelist Group	Dist	Dec	3,020 (1,160)	1.7 (-)
Galliford	B&C	Dec	942 (267)	0.5 (0.5)
Gartmore Scotland Inv	InTr	Jan†	218.5 (237.1♦)	2.4 (2.4)
Gent (SR)	Text	Dec	2,730 (1,210)	1.0 (0.9)
Go-Ahead Group	Trns	Dec	3,180 (1,420)	1.6 (-)
Goodwin	Eng	Oct	69 (180)	- (-)
Henderson Eurotrust	InTr	Jan†	108.26 (124.29)	1.5 (1.5)
Heritage	Dist	Oct	49 (115)	- (-)
Honeysuckle Group	Text	Nov	849 (634)	1.0 (1.0)
Isotron	Hlth	Dec	1,480 (1,510)	1.83 (1.66)
Johnson Fry Utilities	InTr	Jan†	100.3 (122.4)	1.72 (1.6)
Jos Holdings	InTr	Jan†	209.4 (277.9)	2.95 (2.875)
Linx Printing Tech	Eng	Dec	610 (390 L)	0.7 (0.25)
MR Data Management	SpSv	Dec	3,149 (2,660)	2.076 (2.076)
Murray Income Trust	InTr	Dec†	319.4 (367.3)	7.26 (7.0)
North American Gas	InTr	Jan†	76.6 (94.6)	- (-)
Primadona	InTr	Dec	288.02 (314.93)	2.0 (2.0)
Renishaw	Eng	Dec	4,370 (2,810)	2.5 (2.27)
River & Merc Smlr Co	InTr	Jan†	138.85 (164.29)	1.25 (1.25)
Sinclair (William)	OtSv	Dec	1,490 (1,350)	1.8 (1.7)
Syndicate Capital Tst	Ins	Dec†	98.6 (98.9)	1.0 (-)
TR Euro Growth Trust	InTr	Dec†	179.33 (154.28)	- (-)
Verity	E&EE	Dec	909 (444)	- (-)

(Figures in parentheses are for the corresponding period.) *Dividends are shown net pence per share, except where otherwise indicated. L=loss. † Net asset value ‡ Irish punts and pence. ✠ US dollars and cents. ✠ 9-month figures. ♦ 3 month figures. ♦ As at April 30. ♦ As at July 31.

■ Current takeover bids and mergers

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m**	Bidder
AAH	420*	434	309	377.4	Gehe
ACT	128	97	78½	212.0	Misys
Andrews Sykes	85*	165	67	10.7	Euro Fire Prot.
Bletchley Motor	260	250	265	15.9	Charles Sidney
Hunterprint ‡	2*	1¾	3	1.15	Quebecor
Northern Elec	1100	1055	985	1.23bn	Trafalgar House
Parkdean	175	175	139	13.8	Vardon
Pict Petroleum ‡	197.6	184	157	102	Premier Consold.
Portals	1058	1080	985	682	De La Rue
Southern Bus.	74½	65	64	72.2	Berkeley Bus.
Stanhope Prop	3*	3	8	3.5	British Land
Wellcome	1025	1042	688	9.4bn	Glaxo

Prices in pence unless otherwise indicated. *All cash offer. §For capital not already held. ‡ Unconditional. **Based on 1.30 pm prices 3/3/95. §§Shares and cash

■ Rights issues

■ Offers for sale, placings & introductions

British Land is to raise £210.7m via a placing of 61.3m shares at 352p.
Foreign & Colonial Special Utilities Inv Trust is to raise up to £60m via an issue of S shares.

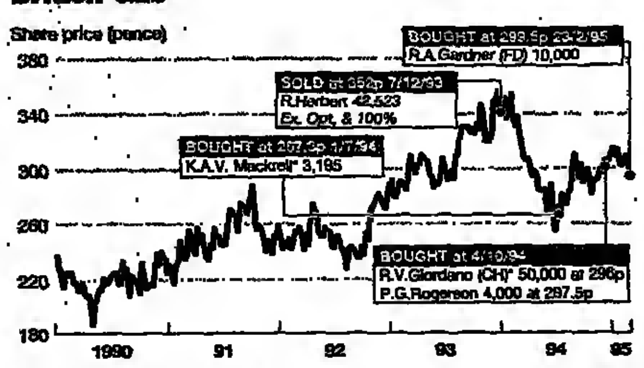
Directors' dealings

With the reporting season under way, there is usually a flurry of activity as companies and directors emerge from their year-end closed periods, *writes Vivien MacDonald of the Inside Track.* The finance director of British Gas was one who took the opportunity to buy. The shares are trading around 297p, which is less than he paid. But, given that the company is back into the black and they are yielding over 6 per cent, this deal looks opportune.

□ Flying Flowers announced its full-year results on St Valentine's Day. The Jersey-based group has been on the market for just over a year and its share price has outperformed the market. The sale of 300,000 shares by managing director Tim Dunningham leaves him with well over 4m.

□ Biggest sale of the week was at Vega Group. The company supplies various aspects of software systems and support services to a wide market. Chairman John Rigg and finance director Christopher Duckworth both sold stock at 255p.

British Gas



Source: The Inside Track, Edinburgh * Non-executive

■ Directors' share transactions in their own companies

Company	Sector	Shares	Value £000	No of directors
SALES				
Acal Plc	Dist	33,000	101	1
Blacks Leisure Gp	RetG	35,500	11	1
Blick	Elec	5,000	23	1
Bradford Prop	Prop	20,000	38	1
Cater Allen	OthF	3,000	13	1
Flying Flowers	RetG	300,000	285	1
Highcroft IT	Prop	5,000	13	1
Highland Dist	SW&C	3,600	14	1
Kleinwort Benson Gp	MBnk	15,000	96	1
London Clubs Intl	L&HI	18,175	50	2
Macro 4	SSer	3,000	12	1
Mercury Asset Mgmt	OthF	10,000	76	1
Vega Group	SSer	606,760	1,547	2
Marks & Spencer	RetG	36,811	137	1*
NatWest	Bnks	36,220	133	1*
Reuters	Mdia	26,128	125	1*
PURCHASES				
Acal Plc	Dist	5,778	18	1
Bailey (CH)	Eng	40,000	11	1
Baldwin	L&HI	577,727	659	1
Blacks Leisure Gp	RetG	35,500	11	1
British Gas	Gas	10,000	30	1
Conrad Ritblat	Prop	50,000	10	1
Ensor	BM&M	115,000	14	1
Greene King	Brew	5,000	24	1
Imperial Cancer Ind	Chem	4,000	29	1
Ingham	Eng	73,000	37	1
PizzaExpress	L&HI	25,000	33	1
Rank Organisation	L&HI	16,256	59	3
Regent Inns plc	Brew	30,000	85	1
Secure Retirement	Prop	25,000	12	1
Standard Platforms	SSer	118,077	15	2
Stratagem Group	OthF	20,000	34	2
West Trust	FdMa	50,000	17	2

Companies must notify the Stock Exchange within five working days of a share transaction by a director. This list contains all transactions (listed and USM), including exercise of options (if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange February 20-24 1995.* Source: The Inside Track, Edinburgh

In the Pink

Barings Bank: why the collapse happened

FT writers explain the background to the débâcle

Q: Why has Barings Bank collapsed?
A: Apparently because of dealings by Nick Leeson, a 28-year-old trader employed by Barings in Singapore. Leeson is alleged to have acted without authorisation in trading huge numbers of Japanese futures and options contracts, the value of which fell sharply when the Tokyo stock market declined.

By the end of last week, his losses amounted to £625m, exceeding the bank's capital of £541m. As a result, Barings was unable to meet payments necessary to allow it to resume trading on Monday. Worse, the losses had the potential to rise further, undermining rescue efforts. bank.

A syndicate of more than a dozen leading UK clearing and investment banks responded to calls from the Bank of England to organise a "lifeboat". They were prepared to re-capitalise Barings, but the fears of potential further losses on futures scuppered the deal.

Q: How could a single trader run up such huge losses?
A: We may not know until the administrator, Ernst & Young, and the Bank of England have completed their separate investigations.

The loss-making deals involved derivatives with a value reflecting that of the Nikkei 225, one of the Japanese equity market's main stock indices. Leeson traded futures contracts on both the Singapore International Monetary Exchange (Simex) and the Oaaka Securities Exchange.

Barings' Singapore office developed a profitable business by taking advantage of small price differences between the two, buying the contract on one exchange and selling it on the other.

In the past few months, Leeson appears to have shifted this strategy and amassed a huge "long" position at a time when Japanese stock prices were falling.

Because the contracts were traded on a derivatives exchange, Barings had to lodge collateral – known as the "variation margin" – at the end of each day, based on the difference between the amount paid for the contracts and their market value then. As a result, huge losses accumulated.

Q: Who has profited from Barings' trading mistakes?
A: Many international banks and securities firms which were trading on the same derivatives markets as Barings. Just as Leeson was a heavy buyer of the Nikkei 225 contracts, many other traders were big sellers.

> The position of depositors with the bank and other creditors depends on what deal Ernst & Young, the administrators, can strike with buyers of Barings' assets

When Barings was forced to post losses on the Singapore and Osaka exchanges, these traders made money – although it is difficult to be more specific than that. But some of these same firms could end up paying out to meet calls Barings is now unable to make.

Both exchanges, like many other international futures and options exchanges, are linked to clearing houses, which effectively guarantee trades.

If a member defaults – as in this case – the exchanges make good margin calls through a central clearing fund made up from members' contributions.

The exchanges also have their own resources from which payments can be made. And if these two tranches of protection are exhausted, the clearing house can call on its members to meet losses.

Q: Who has lost money?
A: The owners of the group - the Baring Foundation and senior executive management - have almost certainly lost their equity in the bank. British charities and the arts will lose out because the foundation, the UK's ninth largest grant-making trust, expects its annual income to fall from £14m to just over £2m because of the bank's collapse.

The position of depositors with the bank and other creditors depends on what deal Ernst & Young can strike with buyers of Barings' assets. If, as seemed possible yesterday, it sells the Barings Group to ING, a Dutch banking and insurance group – even for £1 – then any losses may be slight or even non-existent.

Those most at risk are Barings' depositors, whose £2.5bn of funds have been frozen. If the worst happened, other banks (which account for about £1bn of the deposits) would get nothing. Other depositors such as local councils, pension funds, charities and building societies would get 75 per cent of their deposits back, but only up to a maximum of £15,000.

Clients of Baring Asset Management, the group's fund management arm, have their investments "ring fenced": that is, protected legally against creditors.

But Barings has an in-house custodian which holds some clients' assets in trust – and the custodian uses Barings Bank as the depositor for client cash balances. Clients must stand in line with other creditors to get back these balances.

Although Barings' unit trusts were suspended during the week, dealing has now resumed and, unless all unitholders try to sell immediately, it is not likely that any investor will lose. The position of offshore investment companies – the Dublin-based funds and the Guernsey-based Baring Chrysalis and Baring Emerging Europe – is more complex.

Q: Could this happen to another bank? Should I be concerned about my savings?
A: Do not panic. High street banks have billions of pounds of assets. They could sustain heavy losses in one or another area of business without being at risk.

As for very small banks, the failure to launch a lifeboat has undoubtedly caused a frisson through the City. But it could mean that banks generally become more secure as supervisors recommend improvements in control systems.

Q: Should the Bank have done more to save Barings?
A: The case for the Bank putting taxpayers' money at risk was weak because Barings was too small to pose a serious threat to the banking system as a whole.

Bot some argue that the Bank should have stepped in to save the good name of the City. Yet, the depositors were mainly City professionals who knew that the Bank's implicit guarantee for the accepting houses had been removed long ago. And, given the circumstances, the politics of bailing out depositors would have been difficult.

■ Contributors: *John Plender, Richard Lapper, Alison Smith, Peter Montagnon and John Gapper.*

Weekend Investor

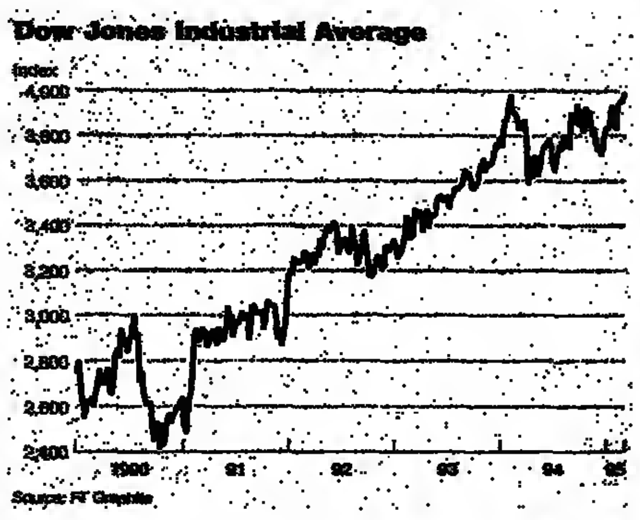
Wall Street

Bulls and bears tug hard at the dollar

Maggie Urry assesses the conflicting signals for US equities and bonds

That was 4,000 that was. After the madness of the week before, Wall Strest began to regain its senses last week – as a bear might put it – with the Dow Jones Index dropping below 4,000 and putting up only a brief struggle on Tuesday to regain the higher level.

Even so equities were remarkably resilient in the face of a dollar almost in free fall in spite of a supposed flight to quality in the fall out from the Barings affair.



Source: FT Graphite

Why is the dollar so weak, and why has the equity markets largely ignored the currency? Jeffrey Applegate, of CS First Boston, says the dollar is reacting to a high and rising current account deficit – a problem familiar to any British readers. The dollar is simply not attracting enough money from abroad to plug the gap.

The Japanese, the people with enough cash to hold up the dollar, are not prepared to shift their money into dollars unless or until the markets are much cheaper.

Nicholas Knight, of Nomura Research Institute, says that Japanese investors are simply not prepared to take the risk on putting their money into dollars. It would take interest rates of 9 per cent and the Dow Jonea at 3,200, he suggests, before substantial Japanese funds were attracted to the US market.

Even so there are people on Wall Street convinced that the currency is fundamentally strong. One leading, bullish, market strategist argues that the dollar's weakness is just a matter of reaction to a series of rumours. Overseas money is flowing into US markets, he says, but the flows are being masked because these investors are hedging the currency. Once they stop hedging, be says, the currency will "roar".

He says the equity market's muted reaction to the dollar weakness – with the Dow Jones not falling further than it did – is constructive. "The markets should have cracked but they didn't," he says.

A weak currency prevents domestic money flowing out of the markets, which gives some help to equity and bond prices. Also the fall in the dollar aids corporate profits through the translation of multinational companies' overseas earnings. And the inflation risk from the weak dollar is not as serious on a trade-weighted basis as it would be in a country more dependent on international trads. Perhaps, also, Americans are less concerned about the currency because they are more parochial.

While a sterling crisis of similar proportions would have the British authorities raising interest rates to prop up the pound, the Federal Reserve is much less likely to sacrifice domestic policy to protect the currency. However, by the end of the week the Fed was intervening, with help from other central banks, to support the dollar. Experience suggests that intervention fails to reverse a trend in a currency (and is a remarkably quick way to squander reserves) although it can slow a decline.

The news hurt bonds much more than equities, although this may only be fair since the bond market's rise, which pushed the long bond yield below 7½ per cent, had made the Dow'a advance look sluggish.

But then bonds also had to contend this week with the one-vote defeat of the balanced budget amendment in the Senate. This proposal would cut the budget deficit and thus reduce the amount the government raised through bond issues, making those in issue scarcer and more valuable.

Further attempts to pass the amendment will be made, and anyway the defeat may have little real meaning while the political mood favours lower budget deficits. Constitutional amendments need higher majorities to pass than budgets do, so there should be a move towards a balanced budget even if it is not enshrined in the constitution.

Yet again this week investors searching for evidence of ths soft landing which Alan Greenspan, chairman of the Fed, has promised, have received mixed signals.

The revision of the fourth quarter of 1994's GDP numbers was a blow. Although the headline number was revised only slightly upwards, from 4.5 to 4.6 per cent, the worry came in the change to the inventories figures. Originally it appeared that inventories had risen strongly suggesting that the economy was slowing. But the market now discovers that inventory investment was $48bn not the $68bn originally estimated.

On the "good" side, though, the National Purchasing Managers Index of business activity showed a sharp fall in February, and car sales were weak last month too, which hit the shares of the auto groups.

The market has also had some bid activity to sustain it. If foreigners are unwilling to buy shares, foreign companies are eager to pick up US companies. A tussis is developing over National Gypsum, the plasterboard group, for which BPB of the UK is bidding; Hoechst of Germany offered to pay over $7bn for Marion Merrell Dow, the drugs group; Luxottica of Italy wants to buy US Shoe; and Samsung Electronics of South Korea is taking a 40 per cent stake in AST Research, the computer maker.

Dow Jones Ind average

Monday	3,988.57	–23.17
Tuesday	4,011.05	+22.48
Wednesday	3,994.80	–16.25
Thursday	3,979.14	–14.87
Friday		

London

A few bargains still around . . .

Philip Coggan on market reaction to Barings' collapse

Spare a quid to buy a bank, guv? Only last week Barings was still, as far as most of the world knew, one of the great names of finance; this week, it was on offer for the knockdown price of £1.

The collapse of the bank last weekend created the brief fear of a system-wide problem for the financial markets. In the event, the main problems occurred in Tokyo, where the Barings losses had accumulated.

When it became apparent that the losses were dus to speculation by one trader in the Singapore office, the markets breathed a sigh of relief. Rumours inevitably affected merchant banking stocks for the rest of the week. Sterling also fell briefly to an all-time low against the D-Mark, which continued to benefit from its perceived "safe haven" status.

But most equity market investors seemed willing to accept, in the unpoetic phrase of the governor of the Bank of England, that the crisis was "Baring-specific".

The FT-SE 100 index defied gloomy predictions of a 50 to 100 point fall on Monday. Having opened 39.5 points lower, as market-makers redneed prices to discourage selling, the index rallied to finish the day only 12.4 points down.

Nevertheless, it was a bad day for most shares. Declining stocks outstripped advancing ones by five to one and 308 shares recorded new lows for the 1994-95 period. On these indicators, the London market had its second worst day of the year.

The overall health of the market – what the Americans call breadth – continues to be a worry. Since the start of the year, the number of declining stocks has outpaced the number of advancing ones by more than 6,000. Until this number turns around, it is hard to see Footsie breaking out of its recent trading range.

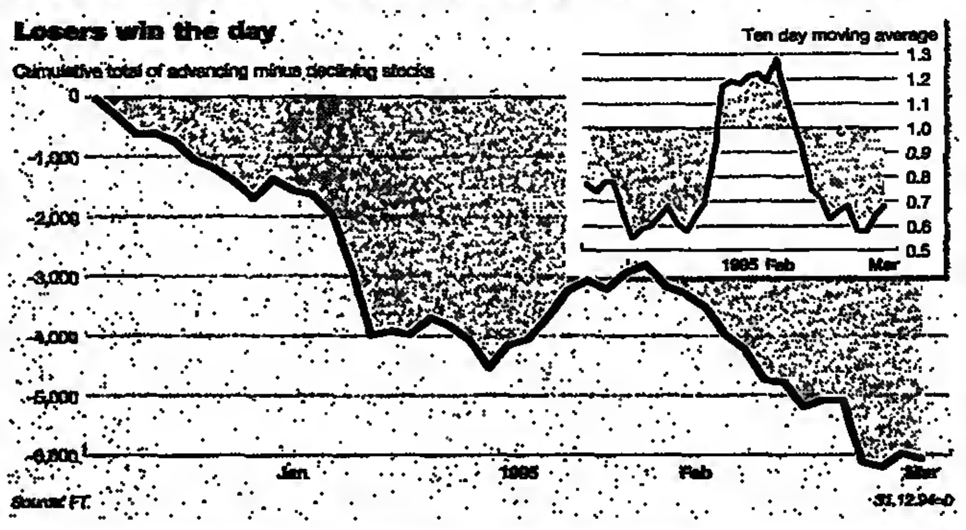
The inset shows the average of advancing versus declining stocks over a moving 10-day period. Ths average has slumped to below 0.7, indicating that the recent mood of ths market has besn very depressed.

Wall Street did not help this week, with the Dow Jones Industrial Average slipping back below the 4,000 mark. London seems to be getting the worst of both worlds. When the Dow climbs, UK shares fail to benefit; when the Dow falls, the Footsie drops in sympathy.

However, the recent fall may prompt a short-term rebound. Once the Footsie index nears 3,000, investors seem to perceive shares as having value. Indeed, by Thursday night, the dividend yield on the FT-A All-Share Index had risen to 4.17 per cent, its highest level so far this year.

Ian Harnett, chief UK economist at Strauss Turnbull, says that on a recent visit to Switzerland, he found that UK equities had moved to the top of investors' valuation lists but they will not buy until they think sterling has stabilised.


Norman Lamont: the former chancellor who surprised the government



Source: FT

Highlights of the week

	Price y'day	Change on week	1994/95 High	1994/95 Low	
FT-SE 100 Index	3025.1	-12.6	3520.3	2876.6	Barings/dollar turbulence
FT-SE Mid 250 Index	3391.4	-16.0	4152.8	3363.4	Lack of support
AAH	434	+125	544	280	Bid from Gehe
APV	88½	+6½	136	47½	Takeover talk
BPB Inds	285	-30	363	274	Worries over Nat Gypsum bid
Banner Homes	70	-34	177	70	Profits warning
Cantab Pharm	165	-133	488	163	Drug trials failure
Delta	421	-38	588	421	Poor results expected
Eurotunnel Uts	286	-22	592½	195	Profit-taking
Fisons	161½	+26½	157	103	Bid speculation
Kleinwort Benson	572	-33½	693	424	Barings collapse hits securities houses
McDonnell Info	79	+8	284	65½	Recovery hopes
North West Water	534	+24	611	454	Rumours of special dividend
Smith New Court	486	+44	499	324	Bid speculation
Wellcome	1041	+30	1045	498	"White knight" bid hopes

For those who believe in charts, the neural network (a computer programme designed to think like a buman brain) used by Robin Griffiths at James Capel, now thinks the Footsie will drop to a low of 2,900 later this month, before rallying. In January, the network indicated the Footsie would fall as far as 2,700.

One obstacle which the market overcame this week was the threat to the government from the Commons vote on European policy. Shares had their best day of the week on Wednesday – rising 31 points – when it became clear that the government was going to win.

The narrowness of the victory – five votes – and the surprise rebellion by ex-chancellor Norman Lamont indicate that the issue of political instability is unlikely to go away.

On the corporate front, the results season chugged along this week with no disasters among the big stocks. There was one savage dividend cut: from cables and construction group BICC, which reduced its final payout by 35 per cent.

But BICC shares rallied on the day, on the view that the management was acting sensibly by bowing to the inevitable; it had been using reserves to maintain the dividend since 1991.

BICC's cut was an exception to the general trend. The four week average of the dividend index, calculated by subtracting cuts from increases and expressing the total as a percentage of all announcements, edged up slightly to 65.2 per cent, its highest level this year.

On balance, however, the results season has been satisfactory, rather than excellent. On the day results are announced, shares in the companies concerned have tended to fall, indicating that the good news was already in the price.

Vickers stood out from the crowd this week. The shares rose 3.7 per cent on the day of its results, as the engineering group increased its total dividend by 58 per cent. A turnaround in profitability at Rolls-Royce motor cars has helped revive the company, which reported losses in 1991 and 1992.

One of the worst performing shares of the week was BPB, the plasterboard manufacturer. Its £700m plus bid for National Gypsum, the US plasterboard group, was seen by the market as landing BPB with too much debt. The shares ended the week 9.5 per cent lower.

Back to the Coppock indicator, which was featured in this column at the end of last month. This indicator compares an index's end-month level, with its position 11 and 14 months ago. When the indicator is in negative territory, and starts to move upwards, that is a signal to buy shares.

The indicator for the FT-SE 100 index dropped into negative territory in December, fulfilling the first of ths key conditions. At the end of February, however, it had fallen even further; so there is no buy signal yet.

For the indicator to give a buy signal at the end of March, my calculations suggests the Footsie will need to climb to about 3,263, quite a jump from the current level of 3,025.1. So it might be a while before Coppock gives the green light.

Barry Riley

After Barings: a City in flux

It was inconceivable the Bank could walk away – but it did

Cries of bitter anguish could be heard from the British establishment this week as Barings, the ultimate in blue-blooded financial institutions, secure at the heart of the City of London for 233 years, was allowed to collapse. Over the centuries five hereditary peerages have been picked up by the banking dynasty – counting among its ennobled scions the present chairman of BP and a former Bank of England governor – and it runs a substantial charity, the Baring Foundation.

It was inconceivable that the Bank of England could simply walk away, muttering bureaucratically about open-ended liabilities and the absence of systemic risk. But it did.

Scary suggestions about the wilful destruction of the City's creditworthiness were, understandably, being played down by the surviving merchant banks as they struggled to restrain a widening risk premium on their deposit rates. Reactions amounted to an awkward combination of "it could never happen here" and "there but for the grace of God go I". But the rest of us will note all this as further evidence of a shifting balance of power in British finance and economics.

No policy statement has been made, no green papers issued. But make no mistake: profound changes have been taking place. One of these is in the official attitude to the City of London which, for centuries, has succeeded in placing itself at the nexus of political and economic power.

It became the financial and commercial centre of the British empire. Barings, for example, was a classic chaser of glamorous but risky opportunities around the world. By 1890, its wanderlust had taken it to Argentina, where it was rescued from its blunders by the Bank of England; by 1995 to Singapore, where it has not been.

Whatever Barings' occasional woes, overall, the City has been a tremendous success over the centuries – but at a cost. It has sucked talent and capital out of the domestic economy, paying top people much more than industry could afford, both in terms of money and social status. In particular, it has attracted the ambitious young by offering a fast track to power and money – by the age of 28, for instance. But it has promoted a short-term trading mentality, and a takeover culture unknown in continental Europe or Japan.

From the 1960s, another serious distortion of the British economy became evident: the excessive stimulation of home ownership. This probably can be dated from the abolition of the old Schedule "A" income tax on implied rents in 1963. The tax advantages gained from buying houses financed by large mortgages then become overwhelming. The result, for 25 years, was a series of credit explosions, house price surges and economic booms and busts.

With the City pre-occupied overseas – especially after

> Links between the political and financial establishments have largely been broken

exchange controls were abolished in 1979 – and the domestic economy destabilised, British industry wilted. Between 1978 and 1992, UK manufacturing output rose by just 3 per cent – against 30 per cent in Germany and 65 per cent in Japan. By the early 1990s, the economy as a whole was slumping as the Treasury attempted to get a grip on accelerating inflation and a fast-widening trade deficit.

Now the economy is recovering in a manner unknown for decades. Exports are booming, inflation is sluggish, credit growth is weak, the housing market remains depressed. The government has confirmed its removal of support from bome ownership, with Miras (mortgage interest relief at source) dipping to just 15 per cent next month, and social security protection for bome owners being withdrawn.

What about the City? The idea of an inner ring of untouchable banks has faded with the declassification a few years ago of the old accepting houses. As recently as 1980, the Bank of England was ready to go out of its way to protect one of the undistinguished and minor accepting houses, Arbuthnot Latham, from the threatened depredations of a maverick financier, Graham Ferguson Lacey. But the controversial rescue in 1984 of Johnson Matthey Bankers – not an accepting house, but a member of the exclusive London gold bullion market – caused the Bank great embarrassment and effectively marked the end of an era of privileged treatment for the banking nobility.

Now, Barings has been dealt with as just another bank. We must not blame the Bank of England if the City suffers a loss of reputation. The odium is deserved by the management of Barings for its evident incompetence and gentlemanly amateurism.

Would the UK, in fact, be served by a principls that no significant bank should ever be let go? Some banking systems operate implicitly like this – Japan's, for instance – but the long-run moral hazard is immense. Banks that can never fail are banks that are likely to assume excessive risk. The creditworthiness of most banks in Japan now depends upon the unwritten guarantee of the Japanese government. It is not an example to follow or envy.

The failure of Barings, however, together with the difficulties of other merchant banks – such as Warburg, which has just lost its chief executive – does raise the problem of the spread of foreign domination to the City. Already, the neglect of non-financial industry has led to the abandonment of many important manufacturing industries to overseas owners: motor cars, electronic components and domestic appliances, to name a few. The City of London has shown little concern; but now the City itself is becoming dominated by overseas institutions.

This century Barings did not, after all, survive the nervous 90s. The Bank of England does not play cricket any more. But we do not know how enthusiastically it will take up baseball. Ws can see, however, that the links between the political and financial establishments have largely been broken, and we can expect that the City's loss will be the broader economy's gain.

Offshore managed funds are listed in this section, **UK managed funds** in Section One